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Inside

$30m fishing plans to ease out foreign interests

The net result: keeping all our catch . . .

by Allan Parker

THE local fishing industry is on the verge of making investment decisions totalling up to $30 million which could scuttle the controversial joint venture fleet and foreign licensed boats operating in New Zealand's deep-water fisheries.

Up to 11 companies, groups or consortia are investigating the purchase of large vessels that could fish the often-stormy waters off the coast.

Such a rapid New Zealandisation of the whole domestic fishing resource — encompassing the full 200-mile exclusive economic zone (EEZ) — would present the Government with a tricky political problem.

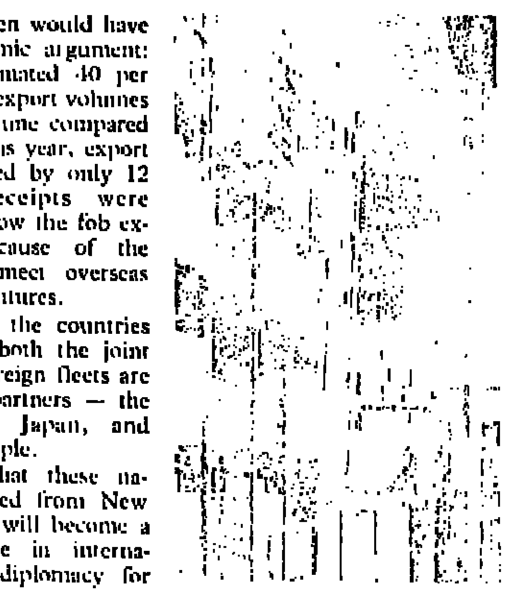
Joint venture licences and foreign licences run out next April 1; if a significant number of new local entrants into deep-water fishing is then afloat, it would be under pressure to justify continued foreign access to the EEZ.

Local fishermen would have a strong economic argument: Despite an estimated 40 per cent increase in export volumes in the year to June compared with the previous year, export receipts increased by only 12 per cent. Receipts were significantly below the fob export value because of the deductions to meet overseas costs of joint ventures.

But many of the countries represented in both the joint ventures and foreign fleets are major trading partners — the Soviet Union, Japan, and Korea, for example.

Suggestions that these nations be excluded from New Zealand waters will become a delicate exercise in international trading diplomacy for the Government.

Alternatively, if the Government meets resistance from the foreign operators and their governments, it may decide that our international trading interests are paramount and



. . . to export ourselves

renew the licences of some or all the foreign fishing fleet. The joint ventures, in particular, also have some New Zealand

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Financiers react angrily to threat

by Bob Edlin and Allan Parker

CYNICISM and scepticism — even anger — have characterised the finance world's behind-the-scenes response to Prime Minister Rob Muldoon's threatened controls on interest rate rises.

Bankers, financiers and economists agree that any reduction in rates will be minimal and short-lived.

"The finance market is unimpressed; no one believes the rates will come down in the longterm," was the reaction of one market source.

Money market executives canvassed by *NBR* late last week also questioned the desirability of reducing interest rates at a time when capital formation and investment in productive assets is becoming critical to the economy.

The Government's own "Think Big" projects, for example, will require a large chunk of capital investment. Investors should, therefore, be encouraged to save.

But reduced interest rates could trigger an opposite response by encouraging further speculative investment.

Speculative investment in such areas as property becomes even more attractive if inflation rises again, as predicted by the New Zealand Institute of Economic Research.

But the financial institutions do not question the seriousness of Muldoon's threat.

"When he says he'll put controls on, you've got to believe he'll put controls on. He runs the place and what he says goes," said one source.

The prospect of a reimposition of controls on interest rates alarms most financiers.

They also believe that, once imposed, such controls would remain in place for many years.

Said one senior banker: "The present administration would be unlikely to do another U-turn in a hurry and a new government would be unlikely to replace controls it inherited."

Those fears, combined with what was seen as a serious threat by Muldoon, prompted the Finance Houses Association to react swiftly by recommending that its 11 members voluntarily reduce their rates.

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'No' to $12m saving

by Warren Berryman

A PROPOSAL to build the controversial Auckland Children's Hospital in half the time and for up to $12 million less than the "official" $30 million estimated cost has been rejected by the Auckland Hospital Board and Health Department officials.

The proposal did find favour with hospital board members and members of the Children's Hospital Trust.

Civil and Civic (NZ) Ltd proposed to challenge the traditional system of hospital design and construction by taking over as project managers in an integrated design-and-build contract, offering a completed hospital at a set time and cost.

The company maintains that a break with the traditional system could save taxpayers 30 to 40 per cent on hospital costs and cut design and construction time in half.

Health Department and

Continued Page 12

Corbans at odds with institute over new bill

by Warren Berryman

CORBANS Wines Ltd, by far this country's biggest wine exporter, has come into open conflict with the Wine Institute over provisions in the Winemaker's Bill ostensibly designed to protect wine exporters.

This bill, introduced by Justice Minister Jim McLay calls for Health Department certification of all wine to be exported. It also calls for a review panel of three experienced persons to be appointed by the Wine Institute.

The bill, before the Statutes Revision Committee, has been wholeheartedly supported by the Wine Institute and is now opposed by Corbans.

Corbans rejects the Wine Institute's claim to speak for all the industry.

The institute, Corbans claims, acts like an elite, its decisions made by the executive without consultation with its members.

Corbans alleges the Wine Institute as the lobbying body which the company believes convinced Government to legitimise watered wine was clearly not the right body to oversee quality control of exports.

Corbans executives maintain that the proposed export certification will do nothing to camouflage the inherent distrust of an industry that permits watered wines.

To enhance the industry's image at home and abroad all wines should be made with a minimum 95 per cent grape juice, Corbans argues. These standards are set in the winery — not in Government departments.

The bill would allow wines containing as little as 80 per cent grape juice to be exported provided they had no "obvious fault" such as oxidation, tainted flavours or smells, or "any other fault specified by regulations made under this Act". The bill does not cover the export of fruit wines or general alcholic drinks — areas with a real potential to bring the industry into disrepute, according to Corbans.

The bill provides for a $5000 fine for exporting uncertificated wines. The penalty for making wine without a winemaker's licence is only $1000, Corbans says.

Corbans rejects the idea that the institute should appoint the reviewing panel. The company also opposes the idea that its wines should be judged by its competitors before an export certificate is granted.

According to a Corbans source, the DSIR might do its chemical analysis and pass a wine for export, but that may not mean it is drinkable or saleable. If export certificates are granted on aesthetic qualities such as taste or smell, it opens a wide discretionary area for "experts" to reject a wine. Also the wine experts are not always the best judge of what will sell, the winery claims.

Corbans argues that the export certification scheme will be costly to the taxpayer and exporter, will interfere unjustly with supply and demand forces, and will ignore the commercial rights of willing buyers and sellers.

As an alternative, Corbans says it will suggest that all wines for the domestic and export markets be made from a minimum 95 per cent grape juice.

If there is to be an export certification reviewing panel it should be appointed by the Health Department — not the institute — and be made up of experts, none of whom should hold a winemaker's licence.

Corbans sources say they found "repugnant" the idea that the Wine Institute, "a body that has failed to espouse or support unequivocally the accepted international standards of sound wine-making", should be empowered to select a review panel.

Corbans exports two thirds of all wine exported from this country. About half of this is table wine.

The export certification scheme ostensibly protects exporters from someone fouling up foreign markets with poor quality New Zealand wine. Thus the major beneficiary of such a scheme would appear to be Corbans.

But Corbans sources claim the Winemakers Bill was discussed by the Wine Institute executive alone, and that Corbans was not consulted.

Ironically, Corbans first fell out with the institute when it began pushing for higher quality wines against the institute's tolerance of watered wines in these times of grape shortages.

Wine Institute executive director Terry Dunleavy indicated he did not agree with Corban's statements, but did not wish to comment for publication when NBR called last week.

Week that was

PRIME Minister Rob Muldoon took the offensive at the sixth Commonwealth heads of government meeting in Melbourne over his interpretation of the Gleneagles Agreement. Australia's Malcolm Fraser attempted to quieten the issue down, according to Muldoon.

OPPOSITION Leader Bill Rowling also headed across the Tasman to Sydney to give his campaigning an international touch. He was also scheduled to visit Melbourne, a visit some Government MPs said was taking domestic politics outside New Zealand.

THE Marginal Lands Board reportedly approved a loan for Jim and Audrey Fitzgerald for the development of their Long Gully farm outside Wellington. The report sparked criticism from both Labour and Social Credit.

ALUSUISSE pulled out of the Aramoana smelter project, saying power charges were too high and also citing freight disadvantages. The Australian third partner is also reconsidering.

TWO Government white papers — part of a series Energy Minister Bill Birch said would help inform the public and Parliament — were tabled in the House. They detail Liquigas assurances and the Petralgas gas supply contract.

Week to be

MONDAY: Aviation Industry Association annual conference, Rotorua, to Thursday

Joiners Federation conference, Palmerston North, to Tuesday

WEDNESDAY: Alcoholic Liquor Advisory Council seminar, Wellington, to Friday

Travel Agents Association annual conference, Auckland, to Sunday

Mineral Resources (NZ) Ltd AGM, Auckland

THURSDAY: Arnold and Wright Ltd AGM, Wellington

Forest Investment Ltd AGM, Auckland

FRIDAY: Sawdoctors Educational Association conference, Nelson, to Saturday

Sabena angry at MOT's 'double about-turn' on sales

by Warren Berryman

BARRED from the New Zealand market for the second time within two months, Sabena Belgian World Airlines is baffled by the decisions — or rather, what it sees as indecisions. — of our Ministry of Transport.

On August 9 the MOT withdrew all excursion fares to the EEC capital, Brussels, and prohibited the sale of air tickets on Sabena paper.

On September 22, one day after all airlines serving this market agreed to stop their illicit discounting war, the MOT reinstated Sabena's rights.

Last Tuesday the MOT changed its mind and withdrew these rights for the second time in a telex to all airlines.

Sabena's South Pacific manager, John Maus, said he couldn't understand it, though he felt it very unfair.

The MOT's John Kennedy-Good, author of the two-page telex to airlines, said he could not comment. *NBR* would have to contact Maus, who had been informed, he said.

Maus said the MOT telexed him saying Sabena's right had been withdrawn because the airline had not fulfilled its side of the deal to withdraw all Sabena tickets from New Zealand.

But, Maus said, all ticket stocks had been withdrawn from this market.

Other airlines were aware that Sabena's rights had now been withdrawn, but were not aware that they had been reinstated temporarily.

Nor was *NBR*. Responding to a rumour that Sabena's rights might be reinstated *NBR* called Transport Minister Colin McLachlan's office some weeks ago where, after consultation with Kennedy-Good, the Minister's secretary said there was no truth in the rumour.

Sabena is represented in New Zealand by Consolidated Air Services, part of The Link group of companies, which has been reportedly selling Air New Zealand tickets at rates below those approved by the MOT.

Maus said Consolidated Air Services was the only company that could possibly have Sabena ticket stocks but he was sure that all ticket stocks had been withdrawn.

The Link's two principals were out of the country last week and could not be contacted.

Maus said he thought the MOT directive had something to do with suggestions of airfare discounting by The Link.

Executives from other airlines said they had read Kennedy-Good's telex. They said they knew what it said, but as to its meaning, that was all "bureaucratic gobbledegook".

Kennedy-Good's telex read: "To all airlines represented in New Zealand . . . advice was given that the Secretary for Transport has reinstated approval of New Zealand-Brussels OW/RT excursion tariffs with effect September 23, 1981. Circumstances which have arisen since that date have necessitated review of this decision. Accordingly the Secretary of Transport has withdrawn approval of these tariffs with effect from 2359 hours on September 29, 1981 . . ."

The telex went on to say that Sabena tickets would not be honoured in New Zealand.

It did not give any reason why.

Maus has already queried the MOT's action and sent a copy of the MOT's telex to the Belgian Embassy in Wellington.

Asked if the Belgian Government or the EEC would see the MOT's directive as an affront, Maus said, "they won't be pleased, I'm sure."

Maus pointed out that The Link pushed a lot of air traffic on to Air New Zealand, that Sabena, by agreement through its worldwide network, was selling Air New Zealand tickets as Air New Zealand was selling Sabena tickets.

But, Maus said, without the excursion fare to Brussels, passengers will have to pay the full economy fare, and that wouldn't sell.

The MOT directive effectively pushed Sabena out of the New Zealand market, Maus claimed.

Meanwhile, other airlines are beginning to ask if the pact against discounting is really going to work.

With the ink scarcely dry on the September 21 agreement, Air New Zealand's competitors claim to have already found evidence of commissions being paid to non-IATA travel agents — a practice strictly prohibited by the agreement and MOT regulations.

Meanwhile the MOT has left the policing of its own regulations to the airlines.

Phosphate 'quango'

by Ann Taylor

THE Government is trying to set up a 'quango' to avoid its own tax laws. The 500,000 tonne "strategic supply" of phosphate rock used to make super-phosphate fertiliser and accumulated since World War II was left in the lurch when the British Phosphate Commission closed its doors on July 29.

A consortium of the five big super-phosphate manufacturers set up the New Zealand Phosphate Company to import and distribute fertiliser in the wake of the BPC.

But the company could not afford to buy the stockpile at current prices. And if it had bought it at book prices member companies would have been liable for substantial tax on profits from processing.

So, after discussion with the manufacturers, the Government opted to set up the New Zealand Phosphate Commission to take over the stocks, which it already owned through its role in the BPC and which will provide the working capital for the new commission.

The company will be appointed "agent" for the new "quango" but it will be subject to the policy of Government. The company will have representation on the three-man commission which a spokesman for it described as a "Government watchdog on the phosphate asset."

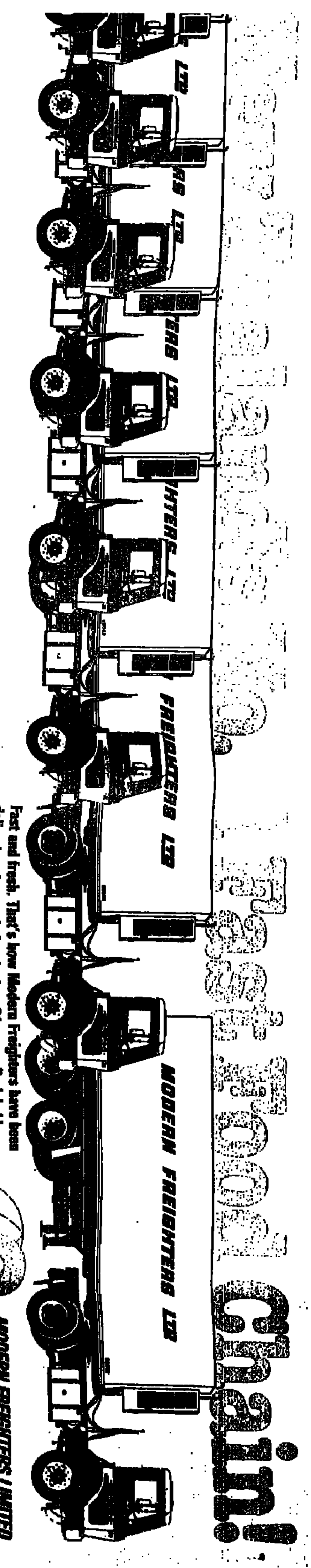
But the farmers, in whose interests the commission was ostensibly set up, don't like the idea. A spokesman for Federated Farmers said they have not been involved in discussion, have no representation on the commission and there is a school of thought that the stockpile has already been paid for by agriculture.

They argue that the purchase of phosphate is a commercial responsibility and would retail at more competitive prices if it were left in the hands of the industry.

Phosphate purchase, processing and application costs around $300 million each year; it is the single biggest input to the farming industry and its processed cost went up 24 per cent in July.

The manufacturers, mostly farmer-co-operatives, would have preferred to purchase the stockpile on some basis.

Small fertiliser companies, not members of the New Zealand Phosphate Company, are also anxious that when the company is appointed agent their growing interest in importing direct application rocks will be compromised



The week

Landslip safeguards diluted

by Ann Taylor

BUILDINGS may now go up on land that might in time fall into the sea and it's anybody's guess who would pick up the tab for damages in such an event.

After the Abbotsford disaster the Government effectively stopped local councils from issuing building permits on land that was subject to erosion, subsidence or slippage.

But that 1979 amendment to the Local Government Act will change if another amending bill now before Parliament goes through.

The proposed amendment gives councils the power to issue building permits "subject to such conditions as it may prescribe" for "relocatable buildings" on land that might erode.

Many buildings are wooden and easily relocated — a good example is the Shamrock Tavern in Wellington's Molesworth Street, up on wheels, awaiting a two-block move to a new site in Thorndon.

Pressure for the change came primarily from the East Cape area. Charlie Rau, chairman of the Waiapu County Council and the East Cape United Council, says a large amount of land in his area is vulnerable to movement. There are "few places in which we can actually issue a permit" and "dozens of farms wouldn't be able to have houses on them."

But Rau says, "all we've asked for is additions to be allowed to houses on land liable to erosion or to replace a house that has, say, burnt down, with a removable house."

While there is sympathy with provision for additions and replacement being allowed on unstable land a senior Ministry of Works spokesman calls the amendment "the biggest step backward in planning."

"If it opens the door for the same mistakes to be made all our work might as well be thrown into the sea," said another.

It was a Ministry of Works geologist Jeremy Gibb who, unwittingly, initiated reaction in the Waiapu County. Gibb studied the area last year and drew a line around what he considered, after extensive study, was a potential coastal hazard zone.

"The significance of this line is to deter (under legislation) those landowners desiring to develop that part of their properties which lie in the coastal hazard zone," he wrote.

"If we ignore this knowledge and persist in developing these lands then it is my considered opinion that those land owners and their children will one day have cause for regret."

Provision is made in the bill for the district land registrar to indicate on the certificate of title that the building permit has been issued in the knowledge that the land is subject to erosion. Because a council has issued a permit with that knowledge the bill specifically makes the local body exempt from civil liability.

So far the only critic of the bill has been Labour's Geoffrey Palmer who describes it as a "legal monstrosity."

"It is very unclear whether it leaves the law of negligence, what its legal effects are and what it is intended to do," he told *NBR*.

Prevention rather than cure should be the lesson from Abbotsford and the removal of houses from Ohiwa Spit near Opotiki, according to critics of the amendment.

Compensation for Abbotsford house-owners has only come through and the Ohiwa victims, under the Earthquake and War Damages Commission, could not be paid for compensation for loss of land, relocation or re-establishment costs.

A planning tribunal on an appeal to build near Beach upheld the council's decision not to allow buildings on the dunes. And a recent Association standard, with a foreword from Local Government Minister Allan Highet, urban subdivision arrangements.

IMPORT LICENCE TENDERING SCHEME — CALL FOR TENDERS

Pursuant to the Import Control Regulations 1973, Amendment No. 3 (S.R. 1980/246) the Secretary of Trade and Industry, acting under delegated authority is calling tenders for import licences for the goods specified below. These goods constitute "Lot 13" and the closing date and time for tenders is 5.00pm on Tuesday, 1 December 1981.

Instructions for prospective tenderers and the general terms and conditions which apply to the submission and acceptance of tenders are set out in the Guide to the Import Licence Tendering Scheme. Copies of this guide and tender forms may be obtained from the Department of Trade and Industry and the Customs Department. Tenders should be addressed to the Registrar, Import Licence Tendering, Department of Trade and Industry, Private Bag, Wellington.

Tenders for "Lot 13" will be opened on Wednesday, 2 December 1981 at 10.00am in the fifth floor boardroom, Department of Trade and Industry, Bowen State Building, Bowen Street, Wellington. Members of the public are invited to attend the official opening.

Official results will be published in the New Zealand Gazette.

Lot 13, ROUND TWO

TENDER NO	ITEM CODES	TARIFF ITEMS	BRIEF DESCRIPTION	THIS ROUND ALLOCATION $	LICENCE UNIT SIZE $	No OF UNITS A TENDERER MAY BID FOR
1981/175	Ex 82.005	82.01.001.21K 82.01.001.31G	Hand hoes and hand rakes Hand cultivators	10,000	2,000	1
1981/176	Ex 82.005	82.04.011	Screwdrivers as may be determined by the Minister	15,000	1,500	1
1981/177	Ex 82.015	Ex 82.09.011.21D	Kitchen and table knives having blade sizes from 127mm to 305mm in length	10,000	2,000	1
1981/178	83.020	83.06.001 83.06.009	Statuettes and other ornaments of a kind used indoors, of base metal; photograph, picture and similar frames, of base metal; mirrors of base metal	15,000	3,500	1
1981/179	Ex. 83.030	83.07.021.11B Ex 83.07.021.19H Ex 83.07.029	Table, reading and bedside lamps. Other lamps and lighting fittings, electric, parts thereof. Other kinds of lamps and parts thereof, (other than liquid fuel lanterns and LPG lanterns and parts thereof).	60,000	6,000	1
1981/180*	Ex 84.735	84.25.041.01B	Lawn mowers manually operated	10,000	2,000	2
1981/181*	Ex 84.735	84.25.041.21G	Power operated rotary mowers whether or not self propelled	25,000	5,000	1
1981/182*	Ex 84.735	84.25.041.29B	Other power operated lawn mowers	10,000	2,000	1
1981/183	Ex 84.863	84.59.059.01H	Carpet sweepers	10,000	2,000	1
1981/184	85.012	85.03.011 to 85.03.019	Primary cells and batteries other than as may be approved by the Minister	20,000	2,000	1
1981/185*	85.015	85.04.009	Electric accumulators other than as may be approved by the Minister	12,000	2,000	1
1981/186*	Ex 85.018	85.06.001.11B 85.06.009.39C	Food mixers Food processors and blenders	100,000	20,000	1
1981/187*	Ex 85.018	85.06.009.01F	Domestic vacuum cleaners and floor polishers	30,000	10,000	1
1981/188*	Ex 85.018	85.06.009.11C	Room fans, exhaust fans, etc	20,000	4,000	1
1981/189*	Ex 85.018	85.06.009.21L	Vented hoods	10,000	5,000	1
1981/190*	Ex 85.033	85.12.009.21D	Hairdressing appliances	20,000	2,000	2
1981/191*	Ex 85.033	85.12.009.01K	Electric instantaneous or storage water heaters and immersion heaters	18,000	18,000	1
1981/192*	Ex 85.033	85.12.009.11G	Electric space heating apparatus	10,000	5,000	1
1981/193*	Ex 85.033	85.12.009.31A	Electric smoothing irons	10,000	10,000	1
1981/194*	Ex 85.033	85.12.009.41J	Stoves and ranges	20,000	20,000	1

* For these tender numbers, tenderers are required to complete a spare parts and servicing pre-registration form and forward it in a separate envelope marked "spare parts and servicing pre-registration" to the Registrar. This is to be received before the closing date for this Lot.

NOTE —

1. Tenderers must refer to the Customs Tariff and the Import Licensing Schedule for definitive descriptions of the goods included in the list above. It is incumbent upon tenderers to ensure that the goods they wish to import fall within the Tariff Items concerned.
2. Tenderers must be conversant with the various statutes and regulations which importing enterprises are obliged to comply with, such
3. Tenderers are reminded to use a separate tender form (in duplicate) for each licence unit bid for. Each bid should be sent in a separate envelope with the tender number clearly marked on the outside.

Secretary of Trade and Industry

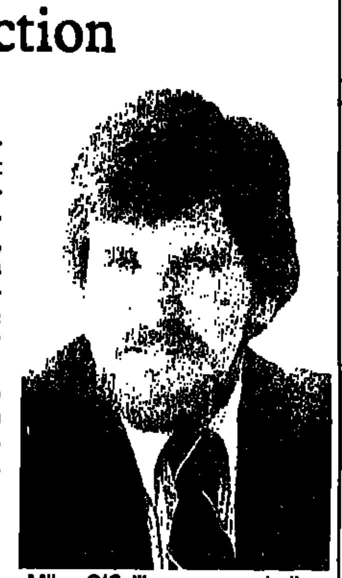
The week

Lintas granted interim court injunction

by Warren Berryman

MULTINATIONAL advertising agency SSC&B Lintas last week obtained an *ex-parte* interim injunction against Murphy and Truman Advertising, the new agency set up with Lintas staff and clients by ex-Lintas managing director Dave Murphy and creative director Richard Truman.

The injunction restrains Murphy and Truman from dealing with the Lintas clients that switched allegiance when Murphy and Truman set up their new agency. It also requires Murphy and Truman to return certain materials to Lintas.



Mike O'Sullivan . . . minding the shop.

In a lightning coup two weeks ago, Murphy and Truman left Lintas with 24 of its 27 staff and about half its clientele to set up their own company on Anzac Avenue.

Lintas, with yearly billings of about $7 million a year, is now trying to woo the $3.5 million worth of billings back from Murphy and Truman.

Murphy did not know of the injunctions when *NBR* called last Thursday.

Meanwhile Lintas's Australasian co-ordinator, Brian Harris (brother of Australian entertainer Rolf Harris) is trying to pick up the pieces, aided by others from Lintas's Australian office and Lintas's Wellington manager, Mike O'Sullivan.

Lintas has received overwhelming support and sympathy from its competitors.

Some have offered to lend staff and facilities to help out.

Murphy said, "If they're giving support they'd have to be getting something out of it."

Ad salesman from the media are taking a very critical view of the Murphy Truman coup.

Murphy, however, said: "Media reaction has been fantastic. We've had champagne, flowers and full support."

Harris said the coup was totally unexpected. He said he arrived in Auckland to find the Lintas office an "echoing mausoleum".

"Timing added to our problem," Harris said. "The Auckland office was supposed to be preparing our annual plan for 1982. Murphy should have known exactly what our next year was looking like."

Harris noted ruefully that a staggering 35 reams of xerox paper had been used in the past month. He has written to former Lintas staff reminding them they had been paid a month in advance — the period had not ended when the mass walkout occurred.

Murphy said he was not sure if the staff had worked their pay out or not. At any rate, he said, he didn't think the staff had received their holiday pay so all things should even out.

Truman would not comment on Harris's claim that he had been brought to New Zealand together with his family on a three-year contract and that this contract had more than two years to run.

Harris has written to former Lintas clients asking them to reconsider their new allegiance to Murphy Truman.

Clients, under 4As rules, are expected to give at least one month's notice before switching agencies.

No decision had been made on a new managing director for Lintas's New Zealand operation, Harris said. In the interim Harris and O'Sullivan were holding the operation together with staff flown in from Sydney.

"We will probably do some headhunting. But first we want to gauge the reaction of our former staff," Harris said.

Comment

Editorial

YOU'VE got to hand it to Rob Muldoon. He certainly knows how to sort out the scapegoats in an election year.

He is particularly adept at persuading the public that blame for our economic troubles should be heaped on a host of organisations — like the unions or Opec. But never his Government.

True to form, he capped off a series of very public threats against the finance institutions with an ultimatum aimed at curbing interest rates. Thus the institutions were ranked with the unions on the Government's hit list of groups whose apparent irresponsibility and avarice damages our economic well-being and erodes the people's spending power. Uncle Rob and his benificent Government are awake to their tricks, however, and their firm action will put things right. Never mind that high interest rates, while they do contribute to an increase in costs, are a consequence, rather than a cause, of high inflation (like high wage demands). Never mind, either, that the Government's policies and its huge internal deficit significantly feed inflation, or that the Government's role in competing for money has helped push up interest rates, or that the Government's pumping up the money supply and fostering consumer spending this year is contributing to longer-term economic problems.

But people reeling under their latest mortgage demands will be cheered that Muldoon is prepared to get tough on their behalf. And that should stand him in good stead at election time, if his readiness to crack down on the financiers outweighs the appeal of opposition politicians promising to reduce interest rates to absurdly unrealistic levels.

The public's memory is short, of course. Too short to recall the Government's fund-raising coup of Easter 1979, which in effect set off the interest rate spiral. That's when Government stock rates were increased to 13 per cent — and to match the lure of those gilt-edged investments, the private sector had to follow suit, culminating in what Muldoon now decries as the "mad scramble for deposits".

In May 1979 Muldoon warned businesses they were making a "serious mistake" if they thought the high interest rates would continue. But this and other suggestions that interest rates would fall contrasted with the Government's own cash loans at high interest rates.

The rise in interest rates in March last year was again being led by the State sector — this time, by the Development Finance Corporation, (which raised its two-year rates by 7.5 per cent to 15 per cent).

In April this year, Muldoon instructed the Reserve Bank to buy short-term financial instruments such as commercial bills and bank stock, putting cash into the market to reduce interest rates by increasing the money supply.

The Government proposed to take what further steps were necessary to ensure that interest rates moved in line with the trend of inflation, "which is downwards." Muldoon said.

Since then, there have been a number of prime ministerial warnings — and Muldoon insists there is no reason why interest rates should be tied to the rate of inflation.

Officials seem to think differently. For example, in May 1979, Reserve Bank Governor R W R White said interest rates slightly in excess of inflation were necessary to be fair and equitable to the lenders.

In a major speech explaining the central bank monetary policy, he said: "Interest rates will remain high while high inflation rates are with us, and while convention demands that adjustment for inflation must be made through the interest rate mechanism."

Inflation rates which did not show a margin over inflation — or "negative rates" — were a subsidy by lenders to borrowers. "In the longer term, savers will not willingly pay this subsidy and the level of savings would decline," White said.

That view is endorsed by financiers.

But the finance houses are taking Muldoon's ultimatum to heart — no matter how unjust and economically unsound they regard it. We can expect them to drop advertised interest rates by at least 0.5 per cent, creating the illusion that rates are dropping and that Muldoon has succeeded in persuading them to act in accord with the public good. Those in the know who ask personally for a rate better than the one advertised might not be disappointed — but the public generally won't know about such sophisticated techniques, which will reduce deposits, which will increase the price of money. Those who do invest at about 12.5 per cent will have their savings eaten away by an inflation rate expected to run at about 17 per cent over the next year.

While they smart at Muldoon's monetary manoeuvrings, the private-sector-financiers will be particularly interested to see what ultimatums have been delivered to the Post Office. That organisation, presumably, is responsive to ministerial direction and might be expected to set some example. But at post offices last week, the public could pick up pamphlets proclaiming a savings certificate scheme with interest rates at a rather attractive 19.255 per cent!

— Bob Edlin

Without word of a lie

Sugar-coated service

AAH . . . the privileges of power. We hear the tale of a top-flight Air New Zealand official who inadvertently left his raincoat in the Auckland head office after a meeting, discovering his memory-loss in Wellington. Unfazed, the airline responded magnificently by taxi-ing the offending raincoat to Auckland airport and installing it aboard the next aircraft for the capital, where it was again taxied to its anxious owner.

It's comforting to know in such egalitarian days that rank still has its string-pulling advantages.

Nursing an interest

A BRITISH company which deals in video training films, reports that several people — "chiefly, but by no means only, in the health services" — have asked if they can use the *Yes Minister* episide, recently screened here, about the hospital with 500 administrators and no patients or medical staff.

"We have not cleared this in principle with the BBC and will anounce details soon," clients are advised . . .

Political puffery

THE *New Zealand Herald* of Saturday, September 26, told its readers how the newspaper's top management had entertained the PM the previous day, his birthday, as part of a series of lunches the *Herald* is hosting for political leaders. What the *Herald* didn't disclose, however, was that a special birthday cake was served topped with 60 novelty candles — when you blow then out they immediately light up again — which a *Herald* executive had brought back from the United States. Apparently the PM huffed, and he puffed, but the little flames kept reappearing as relentlessly as double-digit inflation. His hosts let a breathless Rob into their little joke before his aerobic exertion precipitated a by-election.

Numbing numbers

HOW does the little man fare in the world of commercial communication? The latest Wellington Gas Company account informs us that the current calorific value of its gas is 42.10 — not 42.10 anything — just 42.10. And it registers that our gas fires have consumed 209 cubic metres. That's the equivalent of 8.799 gigajoules. On the back of the invoice we have a conversion formula that reads: "Step 1, Cubic feet x .02832 = cubic metres. Step 2, Cubic metres x calorific value + 1000 = gigajoules."

This handy formula enables us to check their calculations. Unsurprisingly, they are correct. But here's news: "Your new tariff applicable from October 1, 1980 (still new after 11 months?); 0.2 GJ or less — $4, next 1 GJ — $6 each, next 2 GJ — $4.80 each, next 4.8 GJ — $4.30 each, otherwise 'all' at $4.30 each. We tried all that out on our calculator and arrived at a figure $2.40 more than we had been charged.

In the face of this massive information explosion, the little man, as usual, remains dumb — and numb.

Brockie's view

L'enfant terrible de Melbourne

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Comment

Management consultancy — the professional view

by Bob Jarvie

"A MANAGEMENT consultant is a person who borrows your watch to tell you the time — and then walks off with your watch." Or so says Townsend in his book *Up the Organisation*. All professions at some time have had some definitions attributed to them with just enough credibility to make them very amusing.

But what is a management consultant? And what professional bond does he have?

There is no restriction on the use of the term "management consultant" and we all see a growing use of the description, in some cases by people whose qualifications and experience would fall short of the strict membership qualifications of the Institute of Management Consultants (NZ) Inc.

In the major countries some form of institute or association of management consultants exists; in each case the criteria for membership is very demanding, for the reason that business people at large should be entitled to expect a high standard dard of competence and experience from anyone using this description.

The New Zealand institute, formed in 1970, has some 64 members. Membership is individual (as with other professional bodies such as accounting and architecture). In many cases the individual consultants are members of a consultancy firm or organisation which may have international connections or be locally based. In other cases they operate individually as specialist consultants.

The role of a "management consultant" perhaps is best described by the institute's answers to the following questions:

What does a management consultant do?

For many years the use of outside professional services by management has been growing, and will continue to grow. In this way management is provided with additional resources which, properly selected and used, make a significant contribution to the improvement of performance.

Management consultants are employed in a wide range of activities, bringing to bear technical skills, breadth of experience, and the practical ability to cope with the vital "people aspects" of change and implementation.

Some typical situations in which consultants are used are:

- Reviewing an organisation's corporate objectives and strategy;
- Reviewing organisation structure and staffing;
- Preparing and implementing development programmes;
- Improving turnover and profitability;
- Reducing costs;
- Introducing new or improved management techniques, including those involving the application of computer and management sciences;
- Planning and controlling the execution of large projects which are outside the normal experience of the client's staff.

Consultants have developed their services to meet these and similar situations where the skills, knowledge and experience required are not available, or cannot be provided at the time, in the client organisation.

What are the qualifications of a member of the Institute?

The institute maintains high standards which are reflected in its two membership grades — members must have had four years adequate experience in management consulting before admission; associates must have had two years experience and be working under the guidance of a member.

The membership committee, in assessing the knowledge and experience of an applicant, is guided by the following criteria:

- Possession of a degree or recognised professional qualification of degree standing will be regarded as an indication of potential consulting ability;
- Continuous experience will be preferred to fragmented experience;
- The experience should consist primarily of assignments involving the phases of identification/analysis/diagnosis, then conclusion/recommendation/solution and, finally, implementation, including responsibility for development of client's staff and on-going improvement in the client's organisation.

Thus, the institute's members bring the concentrated experience of many assignments to focus on a client's problem. Services of the highest quality are available for as long as is necessary to solve a broad range of managerial, operating and technical problems.

How does one choose a management consultant?

The first step is to identify which consultancies have the capabilities and experience required. Some of the main aspects which can be checked are:

- How long has the consultancy been in business?
- What is the scale of its operations?
- Does it have the experience, competence and resources to handle the sort of project in mind?
- What calibre of staff does it employ?
- What training does it give its staff?
- Is it familiar with the best international management practices and is it experienced in adapting these to local requirements?
- Can it introduce changes smoothly and effectively?
- What kind of clients has it served?
- What do its clients say about it?

The second step is for management to authorise a preliminary survey.

The survey involves examining the problem or area under consideration in sufficient detail to establish an agreed diagnosis, to develop the necessary programme of work, to define the benefits expected, and to estimate the time and costs involved. When management authorises the consulting project the survey report provides the terms of reference.

This report should also indicate clearly to management whether the consultant has come to grips with the situation and whether the proposals are suitable and represent a sound business proposition. Assuming this is so, then management needs to assure itself that the consultancy has ample capabilities to see the project through to a satisfactory conclusion.

The purchase of a professional service is only completed when the job is done — authorising the project only initiates the purchase.

BOB Jarvie is the president of the Institute of Management Consultant (NZ) Inc.

Without word of a lie

Delicensed?

WHO'S been a naughty boy, then?

Dedication to secrecy within the bureaucracy has become a virtual art-form. But for curiosity-arousal, a recent *Import Licensing Bulletin* from the Department of Trade and Industry reaches new levels.

The Bulletin usually gives readers a bit of gossipy news from a regional office and details changes to existing policy. Little of the content could be described as contentious, let alone controversial.

So we wonder what ultra-secret Page 6 held when we received our latest copy. An otherwise blank page informed us starkly: "Article withdrawn".

Techno-Muldoonery

IN the midst of the growth strategy, the Prime Minister's own department is thinking small in terms of new technology. After a three-month trial of word processing equipment, the department is on the verge of ordering "two or three" units for the use of private secretaries.

Our PM and Cabinet are known for a cautious attitude to computer-based technology, with an eye to possible employment controversy. Word processors have been in the forefront of the technology and unemployment debate.

But obviously Muldoon is not above using the technology — and imported technology to boot — to improve the performance of his own people. He, of course, doesn't have to pay the 40 per cent sales tax others are landed with if they want to make our clerical operations more efficient.

Presumably, the PM's department is looking to increased productivity, and not to the possibility of redundancy or "natural attrition" among its private secretaries. But as the upstairs office pushes through its work more quickly, the disappearance of a typist or two from the pool might hardly be noticed.

Letters

Service to the public

I AM writing concerning an article appearing in *National Business Review* (September 28) in the retailing section.

I would like to point out the statement attributed to me has been misquoted.

In talking to your reporter, I said that we believe in the Auckland area we have an adequate spread of dealers providing the service to the public it expects and is entitled to.

The quotation implies that Fisher & Paykel is determining the level of service to the public whereas in fact the intention of the statement was that Fisher & Paykel, along with its dealers, stands ready to serve the public as it expects and requires in all aspects of appliance retailing, including in-store demonstration, installation, warranty service and out of warranty service.

G A Paykel
Marketing Director
Fisher & Paykel Ltd

Rogues and gentlemen

I WISH to take issue with Gordon McLauchlan's conclusions derived in the course of reviewing David Irvine's *The War Between The Generals* (*NBR*, September 7 1981). The book concentrates on the animosities and differences of opinion which developed among men of strong personality in the crises of World War II — and one cannot object to an historical highlighting of the frailty where it occurred, as long as credit is given for other aspects of personality, which Irvine endeavours to do.

One can admit that Montgomery was a very "difficult" colleague on occasion, and Patton a chauvinistic and bombastic character. But the former was also a clear-sighted and determinedly successful commander and the latter a dynamic "personal" leader of great courage. De Gaulle, outstanding for political rather than military victories, was detested by many, admired by more.

McLauchlan clearly accepts Irvine's assessment of the unattractive facets presented by these complex personalities, and he is of course entitled to that view. But he is in error in going on to assume that these unusual men typified the Allied commanders of WW2, and who therefore must have been "a classic bunch of rogues" and "awful people".

If Mr McLauchlan will read a little more military history, and reflect, he will perhaps concede that the judgment is a little hasty. If he will study the personal characteristics of men like Sir John Dill, Lords Alanbrooke and Alexander, Slim, Horrocks, Wavell and Leclerc — all outstanding soldiers who come immediately to mind — he will discover integrity and restraint, and cultivated minds. There is, I submit, not a rogue among them — and their memory deserves a less ignoble epitaph.

War is a harsh and cruel business. It is not made by generals; but it can only be won if there are leaders of stong and determined personality whom other men will follow. A few will have their warts; but that may be a price that has to be paid for the other and essential qualities, without which all is lost. That, too, is a simple truth — and we should see that it does not become a post-war casualty, 35 years on.

Sir Leonard Thornton
Wellington

Demand for the Flyer

I HAVE had forwarded to me from an independent source your publication of July 13, and unfortunately this was provided very belatedly. I certainly appreciate the comments in your editorial worded as follows —

"Since then the news has been even grimmer. Only three charters of the Flyer have been taken out, and the department is not expecting any more before spring at the earliest.

"Departmental officials have expressed disappointment at such an apparent lack of interest, pointing out there are only 235 seats to fill.

"But locals have resisted mainly because of the high charges. To charter the train for a trip to Bluff could cost between $800 and $1000 depending on the time involved."

This certainly does cause problems in selling the Kingston Flyer for charter purposes to conference or other special interest groups.

In regard to a latter portion of the article, I am concerned at the generalisation expressed. At nó time did we say that as a trust we require a five-year commitment. What we did say was that without long-term commitments there was no way the Flyer could be sold to the tourist packages.

I do agree that we did, in fact, seek an extension of the season as Railways has limited it to the period of school holidays and this means that package tour operators will give no consideration to the inclusion of the Flyer in their packages due to the short-term nature.

It is our view that the Railways Department has made it difficult to promote the use of the Flyer, has made it uneconomic for conference and other potential users on a charter basis and has advertised substantially in national publications when most promotional activity should have been concentrated on the lower end of the country where the closest potential market exists.

We believe that the Flyer should be retained in Southland but that aggressive marketing, sensible charges and an attractive season is vital to its success.

R W Henderson,
General Manager,
Invercargill Licensing Trust

Once more into jingle jungle

FURTHER to Jerry Della Femina's comments on the sorry state of the New Zealand jingle industry which does seem to be going through an unfortunate dip, I have always believed: "If you have got something to say, say it, if you have nothing to say, sing it."

Bob Harvey
Chairman
MacHarman ABH International

Chicken feed for farmers

I WAS most distressed to read in the newspapers about the farmer who had just won $500,000 in a lottery yet this was still hardly sufficient for him to get himself "out of the red".

I have for some years advocated a better deal for farmers who are continually downtrodden yet they are the life blood of the economy. For farmers to have been running their farms for nearly 50 years and remain unable to make a profit is hardly just reward for their labour. (Does the Government think farmers are immortal, forever hoping for that "pot of gold" at the end of the number eight? This farmer has been lucky and received his, although far too late to enjoy and only enough to pay for his "chicken feed".

It is nigh time the Government did something constructive for farmers.

I realise it is probably too much to ask but I wonder if this farmer would feed my chickens for a few weeks as the kids are sick, the wife's been made redundant and I am on a sickness benefit.

Warwick Henderson
Auckland

Politics

And now the silly season . . . but, lo, a rescuer

by Colin James

WE have entered the electoral silly season. For the next few weeks you will be treated to some extraordinary sights, antics, theories and predictions.

Every ripple on the electoral ocean will be magnified into a tidal wave.

Every tidal wave will roll a great swag of explanatory flotsam on to the sandhills of political punditry.

One advanced to me by a marketing friend links an apparent annual spring increase in suicides to the mysterious annual Social Credit spring flowering.

Presumably depressed souls commit suicide when the sun re-emerges from winter because they realise it is not the weather that is depressing them, but themselves.

Supporting Social Credit, my friend argues, is a depressive act — a recognition that it is not the weather that is causing political depression, but the Government, or both the old parties, or incurable inflation or some equally intractable oppression.

This raises some desperate questions.

When does spring end? Before or after November 28?

Would the whole course of political history have been changed if elections were held in some other season? Is there any significance that the only non-November election since the war (1951) produced the only swing *to* a Government in that period?

Note, for instance, that in the Heylen Poll's measurement of economic optimism/pessimism, voters seem every year to turn more pessimistic/less optimistic in the spring.

In other words, spring is a good time to be capitalising on economic failure and negativity (Opposition tactics) and a bad time to be attempting to drum up enthusiasm for something bright and positive (Government tactics).

But just look at how the Opposition is attempting to make its capital. Grown adults seem to have got the silly season fever, too.

There they are prancing round in hard hats, overalls or the like as "job squads". A sort of pantomime for simple country folk.

It is at times like these that you can see the influence of all those teachers in the Labour Party: talking down to their kids still.

Thankfully, job squad antics are not every Labour politician's cup of tea. One senior MP was mooning around last week in despair at what the party had come to. He wasn't going to be caught in one of those squads, that was for sure.

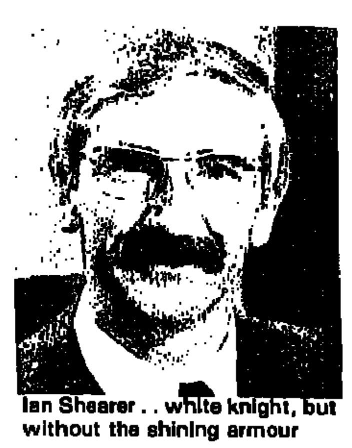
He has his counterpart on the other side.

Last week I came across a conservative marginal electorate official bemusedly wondering what to do with the National Party's silly season effort: its latest foldout pamphlet on the growth strategy.

It features a series of adults' imitations of kids' drawings of flowers and people.

Apparently the Prime Minister got quite a shock when he first saw the finished version. He thought the drawings on the mockup were just the sort of sketches ad persons do to show what the finished product might look like when properly done.

But, I am told, he is rapt in the pamphlet. So are otherwise sober backbenchers.



Ian Shearer . . white knight, but without the shining armour

One aspect that delights them is the theme that growth is "natural". (It also asserts that "rights" and freedoms cost money, needing growth.)

By "natural", organic? Then where has been the "natural" growth of the past six stagnant years?

By "natural", soft and pliable product of nature? An aluminium smelter?

By "natural", what we all instinctively want or need? Then are we supposed to believe the other parties don't? (Just because they don't believe in "natural" aluminium smelters?)

Sophistry aside (for are not all elections the province of the sophist?), the pamphlet seems to be an attempt to out-comic Social Credit's effort last year.

The words are small, the type is big. Just the thing for the averagely literate voter — reading age of 11, or "farmer's wife with a standard four education", as a former editor of mine used as his yardstick.

It is, by contrast, pleasant to see that not everybody is afflicted with silly season fever. My exception: Ian Shearer.

Two views were tenable of Shearer's promotion to the Cabinet in February as Minister for the Environment and of Science and Technology: that he was "safe" in his loyalty to the Prime Minister; and that he would be an excellent token gesture to the noisy environment lobby.

Both views are correct — but only as far as they go. There is more to it.

At one level, the mere severing of environment from the growth portfolios of lands and forests ensures an unalloyed conservation view can be presented to the Cabinet and the caucus.

The decision 10 days ago to reserve some south Westland native forest owed a lot to that severance. Venn Young's main brief in forests being to hack down trees in the name of growth would have made it much less likely that the conservation view would have been put to the caucus with any clarity or force.

As it was, Young's own forestry advice being equivocal and Shearer's conservation case being forceful, MPs were able to, in the words of one, "go along with a lobby for once" without qualms.

There is also a cynical interpretation: that West Coast is and always will be a Labour seat and so "jobs-lost" votes don't count against the Government there, while some conservation votes might be held elsewhere.

In a softened form, the cynical view will account for two of Shearer's other notable successes — in reducing the imbalance against conservation in the new mining legislation and in writing in some better legislative protection for wild and scenic rivers.

In both campaigns Shearer was not just voicing the greenies' demands. He had with him two powerful conservative (National-voting) groups: farmers in the Coromandel (mining) and acclimatisation societies (rivers).

So, a smart public relations move by the Prime Minister? Is Shearer a pawn of election tactics?

To some extent, undoubtedly.

Young's tenure of environment was so low-key as to make almost anyone (except the dam-it, dig-it, hack-it, growth-fixated Bill Birch) a better choice.

But the cynical view is incomplete.

Shearer has carried the environment battle actively against the growth-at-all-costs factions. Shearer refers, only half-jokingly one suspects, to Beehive office neighbour Birch as "the enemy".

He actively listens to environmentalists, with whom he has regular meetings. He meets the Environment and Conservation Organisation (Eco) monthly, for instance.

He acts as if he sees himself as conservationists' voice at the Cabinet table.

He has several times in public speeches emphasised the value for money of investment in non-think-big projects, once even going so far as to talk of the "staggering $1.3 million" cost per job at the Aramoana smelter.

And the (temporary?) salvation of the Commission for the Environment is probably almost exclusively to his credit.

So, is he a knight in shining armour?

More a knight on the chess table of politics.

Anti-environmentalist amendments to the National Development Act are being rammed through. There have been other defeats. He seems nowhere near achieving his idealistic back-bench aim of a mandatory 2 per cent environment levy on major development projects.

For hard-working, intelligent, easygoing-humorous Shearer (when last I saw him he was looking for his shoes, discarded during a deputation), has the politician's other side: ambition.

He can be high-handed in his treatment of civil servants on behalf of constituents. There is a streak of arrogance. He does not stretch his liberalism so far as to put red before the Prime Minister's eyes.

Nevertheless, he seems to see his ambition well served by a high-profile role in environment, even to the extent of a challenge or two to the established Cabinet wisdom.

Thus he eschews the second-guessing route of a Jim McLay, for instance. No earthbound orders-is-orders pawn's role for him.

But, equally, he is fast learning when to hold back so that his head is not cut off. Not for him the rook-like crashing runs of a Derek Quigley, for instance.

He is the nimble knight, hopping over obstacles close at hand, but not biting off too much at a go — and hopping enough sideways to stay clear of danger.

To coin a phrase, the guy is beginning to grow on observers in a most unsilly way. A refreshing knightly rescuer from silly season fever.

Muldoon dubbed 'penultimate tooth fairy'

From Page 1

But chairman Terry Fitz-Gerald declined to be drawn about what would constitute the "meaningful" reduction the association was recommending.

During the meeting that decided on this course of action, it became clear that some members were reluctant to risk exposure to the Commerce Commission for what could be regarded as a price-fixing cartel.

Others could not make specific decisions about a set figure reduction because of responsibility to other boards — either overseas or local.

But the need for some action was regarded as imperative in the face of the Muldoon action. Although Muldoon's threats were aimed at all financial institutions, observers were quick to see the finance houses as a politically-acceptable target.

They therefore felt compelled to make some gesture.

But the issue is considered by the more cynical — and most of those *NBR* spoke to were in this mood — to be a political gesture rather than a thoughtful attempt to solve an economic problem, although none doubted the seriousness of the gesture.

"What we had was a 60-day problem," said one finance house executive. "We needed to get past November 28 . . .

"What we need is a working monetary or interest theory; what we've got is a jawbone-and-threat theory."

Because of the political considerations, there was a marked reluctance among those we questioned to comment publicly. Off-the-record, however, reaction to Muldoon's ultimation was almost entirely negative, even caustic.

One finance expert who would comment publicly was David Sheppard, Professor of money and banking at Victoria University.

Interest rates were not too high in relation to the rate of inflation, he said. But they were too high "insofar as they manifest an excessive rate of depreciation of the purchasing power of the national unit of account, the New Zealand dollar."

What, then, was Muldoon concerned about? "Getting re-elected . . . as Minister of Finance he has responsibility under the Reserve Bank Act for maintaining the purchasing power of the national unit of account," Sheppard said.

He had failed to do that and was "the penultimate tooth fairy," Sheppard said.

He said he didn't know what Muldoon meant when he talked of penalising the institutions. But if he meant he was going to reduce the profitability of the institutions as interest rates increased, "then the policy makes sense."

The way to control the rate of inflation was to make sure that, as interest rates rose, the profits of the banks and finance houses were "adversely affected if they continued to expand rapidly."

Sheppard said that if measures were taken along those lines, and providing they were introduced gradually, they would generate an eventual fall in the rate of inflation and a reduction in interest rates.

"If they proceed in the way I suspect — harshly — then they would take the form of interest rate controls on the deposits or loans of the institutions. This will have the immediate effect of reducing market interest rates. But it will also have the immediate effect of making credit a great deal more scarce and stimulate the growth of the 'fringe' institutions.

"This has proved to be disastrous in the United States where regulation Q was used to set ceilings on the rates on savings depositis," said Sheppard.

"I don't believe you can productively bring interest rates down ahead of inflation," said one financier (who declined to be named). We must get inflation rates down "or switch to some of the monetary reforms advocated by (Reserve Bank Governor) Ray White," he said. (White's proposals would ease the burden of interest repayments in the initial years.)

"Over the life of a loan, a borrower might be indifferent to the interest rate — but he can't cope in the first few years," the financier said.

Artefacts on site?

THE Planning Tribunal hearing the synthetic fuels plant case battled on last week.

It heard evidence from archaeologists that artefacts will be found on the site and that an archaeologist should be on hand to monitor the work.

Clifton County and Taranaki Catchment Commission chairman T N Watson said the plant would be contrary to the areas district scheme. There was considerable interest in horticulture in the area, but the Motonui site, between the coast and the road would be the last choice of a prudent horticulturist, he said.

Motonui residents got their first real hearing. They expressed their fear of losing their chosen lifestyles. "In spite of the Town and Country Planning Act which we believed protected us, we find the lifestyles we thought were ours by right are in jeopardy," Peter Winter, a farmer for 32 years, told the tribunal.

There are 41 homes housing 109 people within a 1000-metre radius of the site and all would be considerably affected by the plant. The school and church are within the radius and the school's principal Graham Harrison expressed his concern over construction noise.

The school, downwind from the plant might be so affected by dust and noise that it will have to close.

Interest rates — Muldoon, Reserve Bank at odds?

by Bob Edlin

BOTH opposition parties promise cheaper money for borrowers. To do that, they must re-introduce interest rate controls.

Their promises have obvious appeal to the man in the street with whom Rob Muldoon closely identifies and who has been hurt by the rise of home mortgage rates. In 1975 a second mortgage could be obtained for around 8 per cent. Today's borrower in Wellington is paying at least 18 per cent.

There has been a steady increase, too, in borrowing costs for farmers, who face much higher pastoral companies' lending rates.

In election year, therefore, there are obvious political pressures on the Government to reduce interest rates. Prime Minister Muldoon has responded by trying to talk down interest rates for some months.

Last week, the threat became an ultimatum as Muldoon made obvious his readiness to abandon the most significant step his Government has taken to reduce state control of business and foster free-market competition.

The levels of nominal interest rates being paid and charged by financial institutions "are higher than desired by the Government or justified by economic conditions," he said (couching the rationale in economic, rather than political, terms).

The high level of interest rates, he argued, had risen because the institutions had been increasing their private sector lending "at grossly excessive rates — 26 per cent in the year ended July 1981 . . ." And they had found that their deposit inflows were not matching "their extravagant lending levels."

They were, therefore, increasing their deposit interest rates to try to obtain a higher share of the available pool of deposits. But because all institutions were behaving similarly, the main effect of their competitive behaviour "was to ratchet up interest rates." It did not remove the main cause of the institutions' problems — excessive lending growth — Muldoon complained.

Because it was "not in the long-term interest of either the country or the financial institutions themselves to compete interest rates up and lock themselves into a pool of funds borrowed at high cost," it was time to "consider backing up my warnings with actions."

Officials have been instructed to investigate measures that could be introduced to penalise institutions which expand their lending at "excessive rates" and "are forced to compete up deposit rates in order to try and attract funds."

Among the options under study:

- Penal tax proposals;
- Controls on maximum lending or deposit interest rates;
- Special deposits or ratio adjustments that will penalise institutions which expand their lending too rapidly or lend at excessive interest rates.

Muldoon emphasised that his desire to stop their "mad interest rate scramble for deposits" meant the institutions would "also have to moderate their lending growth."

He had the power to prevent excessive interest rate competition or make it unprofitable for institutions which continued it, and: "Unless the institutions moderate their behaviour voluntarily, I will do it for them."

The Finance Houses Association reacted on Wednesday, recommending to its 11 members that interest rates on new deposits be reduced "during the next week or so".

FHA chairman T W Fitzgerald said the actual size of interest rate deductions would be determined by members who chose to follow the suggestion of lower rates put forward by the association.

The only alternative to voluntary restraint was artificial control — and the association "feels that the imposition of artificial controls will be harmful to both investors and borrowers in the long term," Fitzgerald said.

The reintroduction of controls would amount to the Government's declaring its present policy a failure.

Muldoon introduced the flexible interest rate policy in 1976, just three months after his election win. The policy was extended to savings bank accounts, which allowed small savers for the first time to get a more realistic return on their savings for time deposits.

The flexible interest rate policy was effected through a number of important monetary policy measures, and was a significant step in opening the way for the development of a monetary policy based more on market forces and less on administrative controls.

"It was considered that this would result in a more effective policy and a more soundly based and equitable financial system," the Reserve Bank *Bulletin* reported just three months ago.

That policy direction had been generally maintained since then, with the introduction of several further measures aimed at removing the distortions and impediments to competition which had arisen under the previous system of detailed institutional control.

Associated with these measures had been the development of institutional arrangements designed to prepare the way for open market operations and — significantly — to facilitate a more active public debt policy.

Reviewing the extent to which the direction of monetary policy over the last four years had been away from direct controls and official intervention, the *Bulletin* said financial institutions had been ecouraged to compete with each other and had been given the opportunity to manage their own affairs to a much greater extent than previously.

The most visible effect of the new direction to monetary policy had been a rise in nominal interest rates — but "to some extent this has been more apparent than real," said the *Bulletin*.

The interest rate controls in place until March 1976 did not embrace all financial intermediates, it reminded us, and those which were free from control allowed their deposit and lending rates to rise in response to market forces.

Rates in the uncontrolled sector — generally "fringe" institutions — offered rates well above officially controlled rates, "and indeed, often above the general level of rates prevailing today."

These "fringe" institutions flourished and took business away from the controlled sector.

When the controls were removed, this "dis-intermediation process" was largely reversed, "and a more soundly based financial system has resulted."

An important consequence was that the authorities now have a greater ability to manage monetary conditions.

The upward trend in nominal interest rates since 1976 "has provided savers with a more equitable return in the face of rising rates of inflation and has correspondingly required borrowers to pay something closer to the real cost of credit," said the Reserve Bank *Bulletin*.

Higher interest rates, on the other hand, had accentuated some problems.

For instance, interest rates had been allowed to move upwards in recognition of the way in which inflation erodes the real worth of monetary assets and liabilities. But for tax purposes, interest is still treated as assessable income (subject to a small personal exemption) or deductible expenditure as the case may be.

"Thus even when interest rates match the rate of inflation, for an investor or borrower with a 5 per cent marginal tax rate, the effective after tax interest rate is only half the rate of inflation," the *Bulletin* said.

Higher nominal interest rates had also distorted the pattern of cash flows associated with debt servicing.

Measures introduced in response to some problems, for example, the exemption from tax of the inflation adjustment component of the return on inflation-adjusted savings bonds, and 'slow start' housing mortgages, had been "very limited in their scope."

According to the *Bulletin*, the ideal solution would be the restoration of price stability, "but given the difficulties recently experienced in attaining this objective, it is probably more realistic to approach the problem from the direction of explicitly recognising the effect of inflation on financial contracts."

Some controls remained.

"In many cases these now appear to be unnecessary, or are distorting competitive forces, and could well be removed or at least relaxed," the *Bulletin* said.

Considerable progress had been made toward the implementation of a monetary policy based on market forces, but "there is still more to be done if all the serious distortions within the financial system are to be removed and if monetary policy is to be made fully effective," the *Bulletin* said.

Which strongly suggests that Muldoon is ignoring Reserve Bank advice in moving to reintroduce interest rate controls.

Government administration

Private bid to pare $12m off new hospital cost rejected

From Page 1

hospital board officials rejected the proposal on the grounds it would not fit in with traditional procedures and arrangements.

The Civil and Civic scheme effectively would have curtailed the power of officials in the hospital board, Health Department, Ministry of Works and Treasury who now control hospital building. It would also have antagonised architects, who — instead of being in command of the construction site — would have been employed by a builder.

The proposal put to hospital board chairman Dr Frank Rutter emphasised the company's track record in hospital building in Australia.

Civil and Civic's Australian parent company, over the past seven years, has largely taken over hospital construction in that country, displacing the traditional system with its project management concept.

As a result seven major hospitals were built at a savings of up to 47 per cent of original cost estimates.

In one case — that of a new public hospital in Brisbane — the Queensland Government turned down sketch plans to build the hospital because it found the $34 million price tag too high.

Civil and Civic was called in to review the brief. The company guaranteed a price of $18 million, and produced a hospital for that price.

When Civil and Civic put its proposal to Dr Rutter, it invited checks with Australian customers to back its claims that all the hospitals had been completed within time and cost and to their complete satisfaction.

Rutter and other hospital board members found the Civil and Civic proposal attractive.

Rutter said that while the board had not formally discussed the proposal, he felt it would be attracted to it as he was personally.

"We would be attracted to any system that could reduce costs or the very long lead time involved in building hospitals," he said.

But Rutter said: "I am aware that our finance is funded from Government sources and as I understand it the Health Department and other Government bodies are not quite as attracted to the idea."

Auckland's children's hospital has been on and off the drawing boards for 40 years.

Recently a group of concerned citizens formed the Children's Hospital Trust to fight for the hospital and raise funds for the very best medical equipment. One member of this trust visited Australia recently to see for himself what Civil and Civic had accomplished.

The key to Civil and Civic's project management system lies in one project manager, working in close consultation with the client, having control of both design and construction and the power to push the project along a fast track to completion before delays and inflation push up costs.

Under the traditional system, the hospital board appoints an architect to design a hospital according to the board's needs. Architects' fees are based on the total cost of the project — the higher the cost, the higher the fee.

The contractor, winning the contract with the lowest bid, does not necessarily care if the job is finished within time or cost estimates. When the architects demand last-minute changes in design or approvals are delayed, the contractor is paid.

Civil and Civic (and many other contractors) maintain that this is the area where most cost over-runs occur.

Civil and Civic argues that the split responsibilities of architect and builder leave no one party accountable for the efficiency of design and the final cost of building.

The traditional system is sequential — identification of a need, appointment of an architect, preliminary design, preliminary approval, developed design, further approval, working drawings, tenders, and at last construction.

George Gair . . . approved smaller proposal.

With one entity responsible for both design and construction these activities run concurrently cutting the total time in half, Civil and Civic claims.

Civil and Civic suggests that the hospital board demand a fixed price contract for the whole job, and claims it can build the hospital for $18 million to $20 million — one third less than the estimated $30 million.

But New Zealand hospitals are funded by central Government. The Minister of Health is advised by the hospital works committee, comprising representatives from the Health Department, Ministry of Works, and Treasury.

Health Department director of hospitals, Dr Tom Lowrie said: "It's not that we disapprove of Civil and Civic's proposal in principle but Government would wish to be assured that normal tendering would apply."

Lowrie was referring to a "catch 22" situation in which Civil and Civic finds itself.

As the only company in New Zealand with expertise in project management of hospital construction, it would have no competitors if a tender were let on this basis.

Lowrie suggested that granting Civil and Civic the project management contract would go against the system of open tendering for construction contracts.

But Civil and Civic points out that in Australia construction contracts are let out by Civil and Civic — a case of construction companies bidding for a contract to work under a competitor rather than bidding for a contract let by Government.

Civil and Civic says that in Australia, tenders are called according to Government rules and tendering procedures policed by Government officers.

Lowrie said, "there is always the feeling that if they can do it we should be able to do it too." This thought was echoed by hospital board officials.

But Civil and Civic said a host of private contractors feel they can do a better, faster job than officialdom.

Competing New Zealand contractors acknowledged Civil and Civic's expertise in hospital building. They say that provided that Civil and Civic can bring its expertise across the Tasman, and provided Civil and Civic can get the same sort of non-Government interference fast track treatment it has enjoyed in Australia, it should be able to perform as it claims it can.

But, as one Auckland Hospital Board member pointed out, the Government is wont to approve hospitals in marginal seats for political reasons. And, as children don't vote, the children's hospital is not top of the priority list.

Health Minister George Gair approved in principle the children's hospital after the hospital board pared down its plans for a 400-bed hospital to a 188-bed hospital and shifted the site from Princess Mary Hospital to Auckland Hospital.

This shift of site can get Government out of a sticky jam. The $30 million North Shore hospital, due for completion in October-November 1983, with a central core block designed for 600 beds, is now being built as a 306-bed hospital. Rutter acknowledged the hospital board had not yet decided how this $30 million hospital would be used.

Some hospital board members are already calling it a $30 million "white elephant".

Rutter pointed out that one third of the patients in Auckland Hospital come from the North Shore. So the opening of the North Shore hospital would take pressure off Auckland Hospital and allow that hospital to share services with the new children's hospital.

But hospital board member Stuart Ferguson, an outstanding advocate of the children's hospital, said children were not just pint-sized adults. They needed hospitals that should be tailored to their needs.

Sharemarket

What — and whom — the shareholders don't know

by Klaus Sorensen

THE other, less attractive face of capitalism seems to becoming more visible in the New Zealand sharemarket.

Several recent takeovers and share raids have highlighted some of the more "unfair" aspects of the free market — to upset the comfortable notion that there are rarely any losers in the sharemarket.

The losers in the market at present are those who for a variety of reasons are not able to make "informed investment decisions".

Companies such as Brierley Investments Ltd have made a fortune out of being able to assess a company better than the directors or shareholders — and, like it or not, that means the shareholders who accept the Brierley takeover offer have not always been able to make an informed decision.

Five or 10 years ago a takeover was more often accomplished by ringing up the chairman of the subject company, telling him you wanted to take his company over so he could post a "don't sell", and then, after a respectable period, sending a formal offer document to all shareholders.

There were fewer instances of establishing toeholds, never mind footholds.

Today a bidder picks up 24.9 per cent of the victim before anyone knows, either by raiding the institutions in the space of a day or two, or by steadily buying shares through a number of nominee companies.

Brierley Investments has been having a field day in the last few weeks in this respect.

In the space of a month Brierley was revealed suddenly to hold nearly a quarter of the capital of the old Auckland retailer George Court, 20 per cent of Neil Holdings Ltd and 23.4 per cent of the Hawkes Bay Farmers Co-op Ltd.

Nice work if you can get it, as they say.

News of the Brierley stake in Neil — the housebuilder that won't lie down — came to shareholders at the annual meeting.

The chairman told them Brierley had advised Neil it held 20 per cent of the issued capital. He said the holding did not appear on the shareholders' register and, according to a press report, "in response to an inquiry", he further informed the meeting that Brierley had told him the shares had been acquired in the name of five separate nominee companies.

The chairman told shareholders Brierley had no plans at present to increase its holding beyond 20 per cent and that the shares were purchased purely for investment purposes.

The chairman said there was little more he could say, "other than to compliment Brierley on his obvious perspicacity as an investor and to speculate on his reasons for hiding his light under five separate bushels."

A nice turn of phrase, but there is a very simple answer why Brierley acted so shyly in purchasing his Neil shares.

If Brierley had publicly gone into the market for Neil shares he might have had to offer 20 per cent above the market price for the shares.

By buying through five nominees few people would have known Brierley was interested, let alone buying shares.

From that point of view any Neil shareholder who has sold his shares to Brierley — without knowing it — has good reason to feel angry about it because he made an uninformed investment decision.

Brierley may well know nothing more about Neil's prospects, or assets, than the average shareholder.

But the average shareholder would seem to be entitled to know if the buyer of his shares is Brierley Investments, and is seeking 20 per cent of the capital.

That size of shareholding deserves a premium, along the lines of the "premium for control" which the institutions are becoming fond of.

But the big losers in many of these situations are the redundant workers, who either lose their jobs through rationalisation, or through economic circumstance — in which case it is often their redundancy which makes a company attractive to the big-money men.

There are few better examples of this grim irony than Atlas Majestic Industries.

So far this year a group of investors — who remain anonymous — have outlayed at least $1 million for a shareholding of around 30 per cent in the troubled appliance manufacturer — apparently with an eye on the company's $4.8 million worth of tax losses.

The shares were purchased in two first-come-first-served bids for one million shares each — the first at 45c and the second at 55c.

Yet, at almost the same time, 144 workers at Atlas's Masterton appliance factory were made redundant — which in a place like Masterton with its already high unemployment rate, is disastrous.

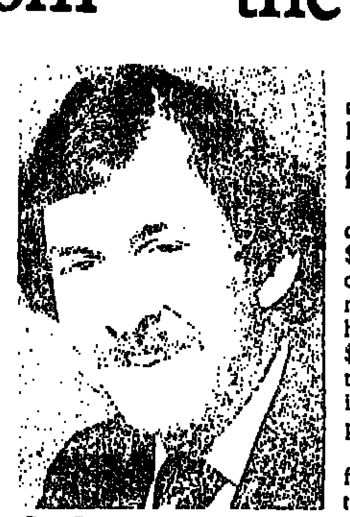
Atlas has gone through an incredibly tough period with various ventures running into difficulties — such as a costly fire at the poultry farm — as well as the decision to abandon attempts to compete with Fisher and Paykel in the whiteware appliance business — resulting in the Masterton closure.

Atlas has made no secret of the fact it came close to failure at times because of the degree of write-offs required on assets and trading difficulties in various divisions.

A couple of weeks before the second market foray for one million shares, Atlas announced a $3.5 million loss including considerable abnormal and extraordinary items and special provisions of $2.1 million.

The report at the time stated that the danger to the company had been overcome and the five remaining trading divisions were operating profitably.

Nevertheless, the company still seemed far from an attractive investment and chairman Charles Pearson was quoted as saying the buyers of the second lot of one million shares "needed their heads read."



Ron Brierley . . . hiding light under five bushels?

But the release of the Atlas annual report the week before last painted a relatively rosy picture of the company's future.

It confirmed that tax losses carried forward amounted to $4.8 million, that realised capital profits were $3.9 million and that, while shareholders' funds are down by $2.3 million to $6.4 million, the net asset backing, at $1.15, is still well ahead of the share price.

But better still, the report informed shareholders that a trading profit will be earned for the first six months and further improvement is anticipated in the second half-year.

The directors say they believe the provisions made in last year's accounts to cover final restructuring appear sufficient, and "the directors consider ordinary dividend payments are likely to be restored with a final dividend for the year ending March 31 1982".

The report also notes that C R Bidwill and A T Gibbs who have acted as financial advisers to the board for the last 18 months have joined the board.

Pearson says in this connection "at the time these new appointments were made, Mr G H Stringer who had reached the retiring age, and Mr J S Rutherford who had served an 11-year term as a director, indicated that as the period of crisis and danger for shareholders had passed they wished to retire."

But there is no reference in the annual report to the recent share-buying, or to the identities of the people who have effective control of the company.

The market seems to have assumed that Bidwill and Gibbs are the buyers of the shares, since Bidwill's former sharebroking firm, Bidwill Wakeman Paine and Co, acted as broker in both instances, and since nominee companies associated with the firm and with Bidwill appear as large holders on the register as at July 31.

If that is the case, shareholders would probably like to be told so at the annual meeting on October 15, particularly as it raises the delicate question of whether these gentlemen knew something the rest of AMI's shareholders didn't when, and if, they bought shares.

But the real question is whether those AMI shareholders who sold the 2 million shares to the mystery buyers were able to make an informed investment decision.

Judging by the annual report they were not.

Finance

The business week

Allied Farmers Co-operative ltd has allotted 350,000 shares in part payment for the purchase of the Whangarei abbatoir.

Andas Group Ltd: audited net profit after extraordinary items for the year ended June 30, 1981 was $322,790 (last year $256,697). A final dividend of 8 per cent, making a total of 15 per cent for the year (last year 14 per cent) will be paid on November 30. The annual meeting will be held on November 2...

Ashby Bergh and Co Ltd: unaudited after tax profit for the year ended July 31, 1981 was $434,595 (last year $362,598). A final dividend of 16 per cent is recommended. A 1-for-10 bonus issue is also proposed to be approved at the annual meeting on November 25.

Canterbury Timber Products Ltd directors, after considering an offer from **Carter Holt Ltd,** said the offer price of $1.50 was well above the market price, but said shareholders should consider their decision carefully.

Coal and Energy New Zealand Ltd, a wholly owned subsidiary of **Bridgevale Mining Ltd,** will ... public issue of 10 million 20c ... par. Coal and Energy New Zealand Ltd has entered into agreements ... quire two operating coal mines ... further coal mine with ... reserves but not at present ...

Computer Consultants Ltd ... received High Court approval ... dividends to be paid from the ... premium reserve. An interim dividend for the quarter ended June 30, ... 2.5c a share will be paid from the ... premium reserve this Friday.

Dalgety New Zealand Ltd: ... group profit after tax for the year ... June 30, 1981 was $13,315,000 (last year $9,029,000). A final tax-free dividend ... 12c a share is recommended. The AGM will be held on November 27.

Delta Plastics has purchased a ... ty shareholding in the New ... electronics company **Electronic Microcircuits Ltd.** As well as ... pects for electronic tapping ... by the new venture, directors ... saw EML expanding in the ... design and manufacturing area ... Delta to move into the marketing ... products manufactured by ... *Western Electronics,* an EML ... company.

Ivon Watkins-Dow reiterated ... held one million shares in *Canterbury Timber Products.* The IWD board ... scheduled to discuss *Carter Holt* ... relating to Canterbury Timber Products.

Optical Holdings Ltd: unaudited ... loss after tax for the half-year ... June 30, 1981 was $88,379 (last year profit $105,500). Group turnover ... profit was affected by a change ... term of domestic sales and a sales ... for Australian subsidiaries.

Subject to formal agreement for the transfer of franchises and consent of the examiner of commercial practices ... *Holdings Ltd* will purchase all the shares in **Dalhoff and King Aviation Ltd** and **Dalhoff and King Flying School Ltd.** The move forms part of ... Holdings expansion programme ... Dalhoff and King plans to strengthen ... capital base.

R W Saunders Ltd: audited profit after tax for the year ended July ... 1981 was $432,000 (last year $...). A final dividend of 10 per cent will be paid on November 9.

Skellerup Industries Ltd directors resolved to develop a scheme of arrangement for the conversion of ... preference shares at a ratio of ... dinary share for every four ... shares.

Smiths City Market Finance Ltd Prospectus No 10 for $... registered first debenture stock has been filled and over-subscriptions of up to $250,000 are being accepted.

Economic indicators

FOR the year ended August 1981, there was a net migration loss of 10,958 (last year 14,010), the Government Statistician reported. In the month of August there was a net population loss of 611 compared with a gain of 1521 in August last year.

PRELIMINARY trade figures for August show an excess of imports over exports of $85.6 million compared with $46.1 million last August, according to provisional figures from the Statistics Department.

POST Office lending is up to $... million a month in 12 per cent ... mortgages. Since 1977 an estimated $230 million had been loaned ... About 40 per cent of all loans were made in the Auckland area, 20 per cent in Wellington and 17 per cent in Hamilton.

Stock Exchange weekly review

FOR WEEK FRIDAY SEPTEMBER 25 TO THURSDAY OCTOBER 1

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	86	90	86	1300
6% pr	125	---	---	0
Ajax G K N	415	415	415	1600
Alcan, 50c	165	170	165	2600
A H I	280	305	272	52200
Alliance, 50c	130	142	130	45000
12% conv pr	125	130	125	1400
Allflex	148	156	145	10600
Allind Farmers	340	345	340	353300
12% conv pr	375	---	---	0
Alloy Steel	225	---	---	0
A M Bisley, 50c	225	232	220	5800
Ampol Pet, 50c	247	---	---	0
A Beaven	145	147	140	25900
11.5% conv pr	135	135	130	500
16 con pref	140	140	140	100
Andas Group	160	170	160	2200
5-6.5% pr	40	--	--	0
12% conv pr	130	---	---	0
ANZ Banking Group	358	378	350	21400
A Wright	370	...	...	0
'A' 6-7.5% pr	70	..	..	0
'B' 6-6% pr	60	...	...	0
A Barnett	365	365	365	300
A Ellis	55	60	55	8600
Ashby Bergh	390	390	390	200
A B Cables	335	...	...	0
Atlas, 50c	68	68	68	14000
10% conv pr	67	68	67	400
Auck Gas	272	275	265	800
Aurora, 50c	250	255	250	8800
10% conv pr	280	280	280	100
14% conv nts	180	---	---	0
A C I	270	---	---	0
Autocrat Sanyo	320	330	320	1900
Ballio, 50c	80	80	80	800
Ballins, 50c	123	125	123	138400
11% conv pr	113	113	113	400
Bank NSW	490	490	490	1800
Beach Petr, 50c	445	---	...	0
Bendons,	175	186	165	9600
Bing Harris, 50c	106	112	105	6800
B N Z Finance	418	418	418	2068
Bridgevale Mining	110	116	109	17500
Brierley, 50c	450	470	430	102950
16.75% spec pr	100	---	...	0
Bos, 50c	93	95	90	6000
B H P, 200c	2000	2000	2000	50
Brother, 50c	100	100	500	
Bunting, 50c	225	247	225	15600
C P D	320	333	320	12400
10% conv pr	380	...	---	0
C F M	355	360	355	9700
12% conv pr	215	215	215	0
Cant Flour	220	...	...	0
Cant Timber	450	450	450	738750
12% conv deb	450	450	450	311900
Capital Radio, 25c	115	---	---	0
Capital Life, 50c	110	110	110	4300
Carbonic Ice	280	280	280	600
Carter Holt	390	405	385	30650
CBA Finance, 50c	320	345	320	4300
CCL	275	285	270	3300
Ceramco	250	255	245	27300
12% conv pr	170	---	---	300
16% red spec pr	400	...	---	0
Chenery	320	320	310	2500
Ch'ch Gas	300	300	300	1000
Ch'ch Press	400	400	400	1300
City Realties, 10c	62	65	62	1300
Clyde Group	125	125	125	3100
12% conv pr	120	...	---	0
Collingwood, 50c	56	55	55	2600
13% conv pr	55	55	55	1300
Col Motor	315	315	315	200
Colyer Watson	108	110	108	3100
Comalco, 50c	235	235	235	2600
Command	230	235	230	1000
Con Metal, 50c	173	173	173	2900
conv pr	200	200	200	18600
Con Minerals, 4c	18	18	18	7800
Cooks Wine	114	118	114	3800
Cory-Wright	200	---	---	0
12% conv pr	225	---	---	0
16.25% conv pr	200	---	---	0
Crown Consolidated	227	238	225	5100
11% conv pr	220	220	220	700
C S R	775	775	775	300
Cue Energy	18	20	17	210700
Options	9	10	9	376500
Dalgety (NZ)	288	295	285	7400
Dalhoff & King, 50c	58	60	58	15600
Deanes	175	175	175	2200
D I C	218	218	218	5600
12% conv pr	167	167	167	300
Dingwall & Paulger	300	300	290	1800
D Mcl Wallace, 50c	98	98	95	14400
12% conv nts	75	80	75	3800
11% nts '82	102	102	102	3100
Dom Brew, 50c	115	117	114	50500
6% pref	80	--	--	0
11% conv pr	76	77	76	12300
Donaghy's	165	170	165	164000
12% conv pr	170	...	---	0
D R G, 50c	105	105	102	1900
Dunlop (NZ)	375	---	---	0
4.5% pr	55	---	---	0
Ebbett	150	---	---	0
Ebos, 50c	130	130	130	4600
E Lichtenstein, 50c	385	390	370	4000
Emperor Mines, 10c	178	...	...	0
Endeavour	190	190	190	200
E Adams	230	---	---	0
Europa pref nt	92	--	--	0
F T C, 50c	130	133	127	15300
11% conv pr	105	107	103	5300
F Walmak, 50c	85	--	--	0
Feltex, 50c	180	180	175	76400
5% pr	40	--	--	0
16% pr	178	178	177	3000
Firestone NZ	140	140	140	500
Fisher & Paykel	315	315	300	8900
Fletcher-Challenge	229	232	220	873500
15% conv pr	102	103	102	6300
16% conv pr	395	400	395	4450
Fountain Corp	95	95	95	600
Foveaux Radio	95	--	---	0
Freightways, 50c	194	195	185	11500
10% conv pr	147	147	147	1300
Gear Meat	67	67	65	4200
11.5% conv pr	65	65	65	100
G Court	170	170	170	1300
G J Coles, 50c	400	---	---	0
Golden Bay, 50c	70	70	68	38600
Goodman Group	195	210	195	41000
14% conv pr	205	205	205	3000

	Last sale	Week's high	Week's low	Turnover
Grosvenor Props	90	90	85	800
Hallenstein	265	268	265	1600
Hauraki Enterprises, 25c	146	148	145	1000
Hawkins, 50c	108	108	107	11300
6.5% pr	28	---	...	0
H B Farmers	260	262	260	1800
13% conv pr	175	175	166	600
Healing	162	170	155	26100
12% conv pr	200	---	...	0
H Pollard	230	230	230	200
10% conv pr	400	---	---	0
Henry Berry, 50c	200	200	200	15500
Holeproof	245	250	245	5800
Hume Industries	190	192	190	600
5-7.5% pt pr	40	--	--	0
I C I (NZ)	210	210	210	3600
Ind Broadcasting	90	..	..	0
Independent News	187	187	187	6000
Ind Chem, 50c	225	...	...	0
I Watkins-Dow, 50c	205	210	200	3500
J Hardy Impey,	260	273	248	6200
James Smith, 50c	86	86	86	100
14% conv pr	80	..	--	0
12% conv pr	54	54	54	300
J Burns	94	98	94	6500
14% conv pr	210	210	210	200
John Edmond	240	---	---	0
J Webster, 50c	77	80	75	4500
12% conv pr	85	--	--	0
J Nathan	150	---	---	0
J Rattray	254	254	254	1800
12.5% conv pr	210	---	...	0
L W Rudkin, 25c	102	102	93	70800
12% conv pr	130	130	130	1300
Lanes, 50c	115	124	115	6300
L D Nathan	225	235	225	15300
9.5% conv debs	227	---	...	0
15.5% conv pr.90	215	216	215	300
Leyland, 50c	170	172	170	3900
Lion, 50c	164	181	152	88700
10% conv pr	164	167	164	3500
12% conv pr	128	131	128	1400
L & M Oil, 50c	32	35	32	14100
Lustoroid	240	---	...	0
Mainzeal Corp, 50c	220	220	220	4100
15% conv pr	120	...	...	0
Mair, 50c	315	315	315	1900
11% conv pr	350	...	..	0
Manawatu Knit, 50c	110	...	.	0
Manawatu Radio	117	117	115	200
Manthel	225	225	225	700
Marac	182	194	182	1300
McAlpine, 50c	130	130	130	2800
McKechnie	230	230	230	5300
Midland	220	...	...	0
11% conv pr	200	...	...	0
Min Resources, 20c	88	92	85	93700
M O'Brien, 50c	82	82	80	1400
12% conv pr	58	..	..	0
15 conv pr	51	..	..	0
Montana, 50c	147	148	145	13000
M-P I M	215	...	---	0
Motor Holds, 50c	170	175	165	8600
Motor Trad, 50c	90	--	--	0
5-6% pr	62	..	--	0
11.5% conv pr	62	..	--	0
MSI Corpn, 50c	83	95	83	10900
12% conv pr	97	98	97	1700
Mt Cook	205	215	205	61000
conv pr	175	185	175	500
M I M Holds, 50c	776	---	---	0
Nat Insurance, 50c	300	310	290	9400
Naylor	145	---	---	0
5% pr	30	--	--	0
Neil Holdings, 50c	85	88	85	10400
N Z Cement	130	130	130	5800
N Z F C, 50c	150	155	150	5800
11% conv pr	140	140	140	2200
N Z Farm Fert	205	210	205	6500
12% conv pr	200	...	---	0
14% conv pr	175	...	...	0
N Z F P	335	342	332	55150
N Z I G	420	420	420	150
NZI 10% conv pr	245	245	245	1100
N Z Light Leathers	52	52	52	8400
N Z Motor Bodies	70	80	70	13300
N Z M C	187	191	185	57300
N Z News	230	230	230	2800
N Z O G	37	37	35	41800
N Z Petrol, 50c	250	...	---	0
N Z Refining	150	158	150	1900
NZSB	85	86	77	492300
N Z Steel	205	215	205	86600
N Z United	580	---	---	0
Nuhaka	195	195	195	800
Odlins, 50c	94	94	89	83600
'A' 6% pr	20	--	--	0
12.5% conv pr	68	..	--	0
'B' 13% conv pr	68	70	67	3800
15% con notes	114	115	113	4000
Optical	56	56	56	500
12% conv pr	50	50	50	1300
Otago Press & Prod	176	---	---	0
Pavroc Holdings	240	---	---	0
P D L Holds, 50c	310	310	310	4000
Perm Invest	95	95	95	3300
Printing & Packaging	195	200	195	12500
11.5% conv pr	175	180	175	500
Progressive	170	175	168	25000
12% conv pr	410	---	---	0
Prop Securities, 50c	250	---	---	0
Prud Building	120	---	...	0
Quill Humphries, 50c	115	---	...	0
12% conv pr	110	---	---	0
Radio Avon, 25c	130	130	130	3400
Radio Otago	100	100	100	7500
Regina	165	---	...	0
R & W Hellaby	100	108	100	60200
Reid Farmers	410	410	410	900
Repco (NZ), 50c	83	84	83	23800
Revertex	325	325	325	4400
Rex Consol	320	330	320	2000
15% conv pr	180	---	---	0
Rheem, 50c	158	170	158	4400
Rothmans, 50c	160	165	158	22800
R W Saunders	315	---	---	0
Selmond	235	240	235	100
Sanford	360	365	360	2700
pr	365	---	...	0
12% conv pr	348	360	330	6100
12% 'B' conv pr	325	330	300	1600
Schofield	210	210	205	13600
Scott, 50c	100	102	100	2300
12.5% conv pr	90	92	90	1200
Selby	285	285	285	400

	Last sale	Week's high	Week's low	Turnover
Skellerup, 50c	340	355	340	8500
5-7.5% pr	40	..	..	0
Smith Biolab, 50c	150	160	150	9200
12% conv pr	175	...	...	0
Smiths C M	180	...	...	0
Sthn Cross Hotel	235	235	230	2400
Sthn Cross Mins, 20c	38	41	38	31100
S F M	286	294	285	26500
Spedding, 50c	77	78	73	1000
12% conv pr	78	78	78	1000
Steel & Tube, 50c	130	140	130	8200
Suckling	165	---	---	0
Taylors	155	---	...	0
12% conv pr	180	...	...	0
Teltherm	160	165	160	1300
12% conv pr	145	---	---	0
T J Edmonds	280	290	280	2800
Tolley	185	190	183	2200
Tourist Corp of Fiji	40	40	40	2100
Trans Ashburton, 50c	62	--	--	0
TNL Group, 50c	110	118	110	29100
10% conv pr	95	96	95	100
12% conv pr	107	107	107	1500
Trans (Nth Cant)	142	--		0
13.5% conv pr	115	115	115	100
15% conv pr	115	115	115	800
U E B, 50c	111	115	106	35600
5.5-7.5% pr	120	...	..	0
12% conv pr	100	103	100	1700
15% conv pr	56	62	50	1700
United Bldg	125	...	...	0
United Publishing, 50c	305	...	...	0
Vacation, 50c	90	94	90	51200
12% conv pr	85	--	..	0
12.5% conv pr	73	75	73	100
Visionhire,	126	130	120	16600
Waitaki-NZR	236	250	235	23200
11.5% conv pr	208	210	208	600
Walker & Hall	460	---	--	0
Wattie, 50c	186	193	185	42700
12.5% conv pr	110	112	110	1200
16% conv pr	167	167	166	800
Welgas	420	420	420	500
Westbridge	210	...	...	0
Wilkins & Davies	325	...	...	0
5.75-7.5% pr	65	..	..	0
W Jeffery	155	160	155	700
12% conv pr	140	.	...	0
Wilson & Horton	435	445	436	4000
Wilson Distillers	155	...	..	0
Wilson Neill	100	105	100	49700
12% conv pr	155			0
Winstone, 50c	74	75	70	156000
12% conv pr	56	56	54	13200
W'Wths (NZ)	73			0
Wormald	335	335	335	2300
5-7.5% pr	100	---	...	0
W Sutherland	110	110	110	200
Yates Corp	392	410	390	9800
12% conv pr	180	180	180	800

Exchange rates

AS at October 1, NZ dollar sells at:

Britain	.4617	Italy	956.19
US	.8156	Japan	189.08
Canada	.9852	Malaysia	1.8911
Australia	.7144	Netherlands	2.0984
Fiji	.7240	New Caledonia and Tahiti	81.83
Austria	13.19	Norway	4.7761
Belgium	30.89	Portugal	52.67
China	1.4221	Singapore	1 7183
Denmark	5.9305	South Africa	.7780
France	4 5088	Spain	77.97
Greece	46.48	Sweden	4.5385
Hong Kong	4.9891	Switzerland	1.6024
India	7.3582	West Germany	1.8842
Ireland	.5169	Western Samoa	.8863

$30m fishing plans to ease out foreign interests

From Page 1

representation, however minimal.

Trying to reconcile all these interests in an industry that has become noted for factional in-fighting and controversy will not be easy.

However, a showdown of sorts will become inevitable if even some of the investigations currently under way within the domestic industry become realities.

NBR has learnt of at least four local industry companies or groups examining the purchase of vessels capable of fishing in the deep waters of the Chatham Rise and off the west coast of the South Island.

They include a large Auckland company, a consortium of South Island companies, a group of fishing vessel captains keen to put expertise and annual earnings reported to be as high as $70,000 into their own vessel, and two fishermen interested in the high-priced blue fin tuna.

Most of the boats being looked at are European — from Norway, Britain, Holland and possibly Spain. They have been made redundant in the European fishing industry.

The average cost of each vessel would be between $2.5 million and $3 million.

Within the next month, the fishing industry is expected to place their names before the Agriculture and Fisheries Minister Duncan MacIntyre, to show the depth of commitment by the local industry to "New Zealandise" the fleet.

Such a massive investment would be a major boost to the industry, which has been confined to the shallower in-shore fisheries in the absence of the large vessels need for taking the fish from the off-shore fisheries.

Eventually, they would be totally New Zealand-crewed, pay New Zealand taxes, bring most if not all the catch ashore for local processing and provide new jobs, some in regional development areas.

In essence, three fish species are at stake — hake, hoki and orange roughy, the so-called "deep sea perch" that prompted an Australian fishing industry delegation to visit New Zealand late last month for talks over alleged dumping on the Australian market.

At present, the hake, hoki and blue fin resource off the west coast of the South Island is shared by joint venture vessels and some local boats.

Last year's catch is expected to total 2000 tonne of hake, 20,000 tonne of hoki and up to 5000 individual blue fin tuna.

The total catch is worth about $22 million to fishermen.

The orange roughy resource comes from the Chatham Rise. Local fishermen want the quota to be dramatically reduced from about 22,000 tonnes a year to 10,000 tonnes.

At such a level, some of the joint ventures operating in New Zealand would undoubtedly question the economics of the exercise anyway.

"They'd need a lot more than that to survive," said one local fishing industry source.

There is believed to be considerable sympathy in some Government circles for the local fishermen's plans.

"They (officials who support the 'New Zealandisation' concept) feel we are selling our deep-water resource too cheaply and too quickly," said one source.

The vessel-purchasing investigations going on at the moment within the industry have been likened to "a bit of a mad scramble".

The deep-water resource can only sustain a certain number of vessels — one estimate is as low as seven — so the would-be purchasers are anxious to ensure they are among the first-in so they will be first-served.

Finding sufficient crews for all these new boats would be a problem — a training programme for local crews and officers has met with only limited success. But, one industry representative argues, many of the Europeans currently aboard the vessels could be enticed to New Zealand if the purchases go ahead.

This would allow a progressive "New Zealandisation" programme. And in the meantime, the crews would be paying New Zealand taxes and the catch would be coming ashore for local processing.

Bank talks stalemated

by Stephen Bell

NEGOTIATIONS between bankers and the Bank Officers' Union over new skills allowances are back precisely where they were in March.

The union says it will choose different tactics in future for tackling changes brought about by new technology and task reorganisation in advance. "Joint skills exercises after the changes have happened don't seem to work very well."

In negotiations on the 1981 award, the banks made a final offer of 14 per cent in March, declining to entertain the bank officers' claim for a further 6 per cent to take account of increased skill levels. They wanted to refer the dispute direct to the Arbitration Court.

After intervention by Labour Minister Jim Bolger, the parties agreed to set up the "skills exercise". A sub-committee of the original conciliation committee was set up to assess changed skills content of banking jobs and agree on grades, job functions and "benchmarks" to judge grades.

Until this exercise had been completed, the banks declined to discuss actual wage increases.

The new skills "benchmarks" were finally firmly established in August, and the parties began the usual process of working towards a middle ground, with an opening offer of a 2 per cent skills increase for higher grades only from the employers' side of the table. The unions claimed increases ranging from 1 to 10 per cent.

After two days of negotiation the employers reached an offer of 2.5 per cent for the higher grades and 3 per cent for accountants.

But on realising that a stalemate had been reached they asked that the matter be referred to the Arbitration Court and withdrew the 2.5 per cent offer.

At initial Arbitration Court hearings next month the employers would be going in again at the original 14 per cent figure, a Bankers' Association spokesman confirmed. This was considered a "standard tactical procedure" when a consensus could not be reached in ordinary negotiations, he told *NBR*.

The August skills payment offered was not a consensus and no one could be held to it, he claimed.

Australia may zero in on our construction workers

COMPETITION from the Australians for scarce skilled construction labour could be much more intense than the New Zealand Government and its advisors expect.

Australia's construction industry workforce could almost double in the next three years, from 30,000 in 1980 to 60,000 in 1984, according to a forecast by Dennis Eager, commercial director of the Australian Federation of Construction Contractors.

The AFCC represents the heavyweight end of Australia's construction business. It has just over 100 full members involved in construction; their annual combined turnover is around $A2.5 billion.

By comparison, the construction content of this year's Budget, for public works and National Roads Board expenditure in New Zealand is $551 million, according to the Building Industry Advisory Council's post-Budget review.

Eager's forecast covers only on-site workers. It is based on the AFCC's quarterly work volume report, which has been produced for the past three years and has been reviewed as the "best of the myriad reporting services" available in that country.

According to preliminary indications, the construction industry will need almost 65,000 workers by 1984.

And although the need could be lessened by project deferrals and cancellations, at least 55,000 workers will be required within three years.

Growth will be spread unevenly through the country. The New South Wales force is expected to rise from 10,000; Western Australia, which employed 3000 men last year, could need 22,000 by 1983.

The work volume survey says that engineering construction projects — including mining, oil and gas, electricity, aluminium and transport and other infrastructure work — worth $A104 billion are being planned. But work on only $A51 billion worth will be started before 1987.

Even so, the report says, "this reduced level of activity is so large that the economy may not be able to cope because of finance, managerial personnel and skilled and semi-skilled labour shortages."

It expects contracts worth $3.4 billion to be let in 1981, increasing to $4.7 billion in 1982 and $4.4 billion in 1983 before declining and reaching a new peak of $5.5 billion in 1986.

In Queensland, work worth $46 billion is being planned; $16 billion of this is expected before 1987.

In Western Australia, $16 billion of the $21 billion worth of projects is expected to have begun by then.

By comparison, the value of the growth strategy projects scheduled for New Zealand this decade has been estimated at around $6 billion.

The Australians seem unconcerned about their on-site worker requirements.

"In terms of the total workforce, the figures are seen as chickenfeed. We're only talking about another 20 or 30,000 workers — that's the way people see it," said AFCC executive-director Russell Richmond.

"But it's one hell of a lot for our industry."

Skills shortages tend to be localised and largely reflected reduced mobility in the labour market, Richmond said.

"The growth in workload required by the current resource development programme will place huge pressure on those industries related to it — financial institutions, Government regulatory bodies, project designers and the construction industry.

"In fact, it is our belief that the economy will not be able to satisfy the demands of resource developers and some significant deferral of major projects is inevitable.

"This natural market mechanism will ensure that economic growth is sustained over a longer period, with an associated reduction in potential inflationary effects."

The New Zealand Government and its advisers, including the Liquid Fuels Trust Board and the Major Projects Advisory Group, have tended to downplay the impact that the Australian developments will have in this country.

But when Australia last went on a development spree, in the late 1960s-early 1970s, New Zealand lost considerable numbers of tradesmen and semi-skilled workers, such as earthmoving equipment operators.

If anything, Australia today is even more attractive.

Higher pay rates, boosted in real terms by the big margin that now exists between the values of the New Zealand and Australian currencies, are further enhanced by lower taxation takes in that country.

The tax issue is likely to play an increasingly important part in the construction industry's wage considerations in this country, as project site agreements on hourly rates and "add-ons" such as site allowances push ordinary construction workers into the top two tax brackets.

Many of the Australian projects, including the north-west shelf gas field development, thermal power station construction and aluminium smelting and processing development, will be seeking the same mechanical and electrical engineering and trade skills which concerned New Zealand planners envisage may be in short supply here.

Welding conference

by Lindsey Dawson

A MAJOR conference on the latest welding techniques — to be held in Christchurch next month — will help New Zealand engineering firms to gear up for the multi-million dollar construction works associated with the new energy projects.

This will be the first convention jointly organised by the Australian and New Zealand Institutes of Welding since 1974.

New Zealand institute president Dr Neville Miller said that in some areas, such as stainless steel, New Zealand was a world leader. "But in fields like very heavy fabrications and off-shore structures we have a lot to learn."

He said it was essential for New Zealand companies to be fully conversant with the latest techniques if they were to play a full part in the heavy construction work coming up.

"That's one of the reasons why this conference is a very timely one," he said.

Changes were taking place not much in the actual welding process as in quality assurance techniques, and the types of materials being welded.

"There's a lot of fine-tuning of existing processes going on. It's a matter of pushing right out to the limits of known technology," he said.

Business

Analysing annual accounts: Forest Investments

by Klaus Sorensen

THE Fletcher controlled Forest Investments Ltd will have to brush up its disclosure if it becomes a listed public company.

The company was launched in 1973 as a non-dividend paying 20-year type of investment in the afforestation business, but now directors propose to seek Stock Exchange listing.

Assuming the company intends to continue its no dividend policy in line with the original intentions of producing a large capital gain for investors, Forest Investments Ltd directors will have to produce alternative information on which investors can assess the value of the company's shares.

This will presumably require periodic valuations of the current worth of the forest assets — a method most forest companies are reluctant to use.

But since investors will be buying a share which will provide a capital, rather than income gain, there seems little alternative to introduce a current valuation policy for the trees themselves.

The accounts for the 17 months ended June 30, 1981 present a pretty straightforward picture, but there could be a lot more information.

The statement of accounting policies shows that along with most foresters this company values its forest assets (excluding forest land) at cost, "which includes overhead charges and depreciation of fixed assets."

Land and buildings are stated at cost or valuation, the latter being determined currently by five-yearly valuations prepared by the Valuation Department.

Freehold land is not depreciated while forest assets are not depreciated until depletions occur.

But the real irony of Forest Investments Ltd is that the company is obviously doing extremely well and is in the box seat to enjoy the predicted 1990s forestry boom — yet when the issue was launched in 1973 it received an almost insulting response with only 20 per cent of the shares taken up.

Because Fletcher was the underwriter for the issue (the company also intended to take up a 25 per cent shareholding) its shareholding at present is around 80 per cent.

This will be reduced to 75 per cent within a certain period of time to comply with Stock Exchange listing requirements.

Because it is currently doing so well, and the forest developments of this type of company are highly sought after (witness the purchase of a shareholding in Nuhaka Farm Forest Fund by the Caxton group), Forest Investments is bound to be a sought-after share when listing is gained.

The profit and loss account for the year, extended by a balance date change, shows a profit after taxation of \$359,630 (\$206,724 for the 12 months of 1980) which was derived largely from investment returns, since the forest assets have yet to produce revenue.

Interest receivable was \$370,070, while other income was \$18,803 from deer capture royalties and \$5447 from rents.

Because forest development expenditure is a capital rather than a revenue expense, the only outgoings in the P and L account are interest payable of \$130 and sundry expenses of \$10,233.

This left a pre-tax profit of \$383,957, before a tax provision of \$24,327.

The notes show that differences, including non-qualifying forestry development expenditure amounting to \$328,203, were deducted from the pre-tax profit, leaving a taxable profit of only \$55,754 — on which tax at 45 cents in the dollar amounted to \$24,327 after a deduction for tax on timing differences transferred from deferred tax, of \$723.

In 1980 the company had a pre-tax profit of \$284,726, less a \$91,000 deduction for non-qualifying forest development expenditure, leaving a taxable profit of \$193,726 on which the tax provision was \$87,177.

The source and application of funds statement shows funds from operations totalled \$400,465, including the net profit before tax and the depreciation provision. Funds from other sources, being a forestry encouragement grant of \$140,983, lifted total funds available to \$541,448.

The application of funds totalled \$1,065,181, resulting in a net decrease in working capital of \$523,733.

Forest establishment accounted for \$615,993 of total funds applied, then investment in debentures \$400,000, fixed asset movements of \$24,861 and taxation of \$24,327.

The forest establishment expenditure is well up on the \$349,799 in the previous financial period and this is reflected in a rise in fixed assets in the balance sheet.

Funds employed include issued capital of \$3,000,000 in dollar shares and reserves of \$1,606,393, producing total shareholders' funds of \$4,606,393 plus deferred taxation provision of \$744,776, giving total funds employed of \$5,351,169, up from \$4,770,673 in 1980, due principally to the rise in reserves from \$1,166,118 to \$1,606,393.

Fixed assets are up from \$2.5 million to \$3.2 million, including forest assets up from \$1.5 million to \$2.1 million, due to the \$615,993 expenditure during the latest financial period.

Land and buildings are up from \$1 million to \$1.1 million, while plant and equipment is up from \$29,015 to \$31,328.

Investment in and amounts owing by allied companies is largely unchanged at \$2.1 million, of which debentures account for \$1.6 million.

Current assets are down as a result of the fall in working capital and the further investment in debentures, from \$267,393 to \$116,025.

Current liabilities are up from \$30,004 to \$48,986, leaving net current assets of \$67,039, down from \$237,394.

Chairman Sir James Fletcher says in his review that "exceptional growing conditions prevailed during the 1980/81 growing season with the forest crop generally looking particularly healthy."

The company has three properties planted in forests and during the year a further 153 hectares were planted at Kererutahi in the eastern bay of Bay of Plenty and 150 hectares at Ngatapa in Hawkes Bay, bringing the total planted by June 30, 1981 to 2387 hectares out of a planned 4050 hectares.

Fletcher notes that the forestry encouragement grant limit of \$300,000 total expenditure has still not been increased, "even though the allowable limit per hectare was raised from \$900 to \$1500.

"In the year ended January 31, 1981 the company's total qualifying expenditure was below the \$300,000 limit and thus the forestry encouragement grant was claimed for that period. However, the level of expenditure since has exceeded the allowable proportion of the limit so the company has had to relinquish its forestry encouragement grant and adopt the taxation credit scheme announced in the 1980 Budget."

The auditors say that during the year there was a significant rise in the level of stumpages, log prices and exotic forest values in most areas of New Zealand.

They say "this augurs well for the shareholders of the forest-growing companies and has come about through a recognition of the serious shortage of raw material which will arise during the 1980s and greater confidence in the export market for wood products beyond 1990."

But the sentence which will ring the loudest bell for shareholders is the auditors' comment that "actual realisations being received now and projections into the future indicate that returns to forest growers will far exceed any early expectations."

While shareholders will be pleased with this comment, they ought to be disappointed that the auditors of the company seem to provide much more information on the value of the investment than do the directors.

The 1981 accounts do not disclose a net tangible asset-backing figure.

Armchair pundits, beware — polls don't pick

Ken Fink-Jensen . . . traps in trends

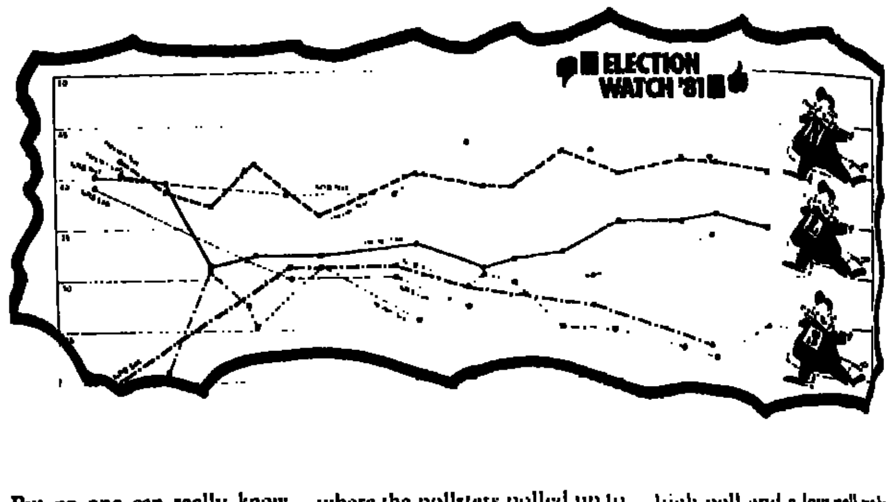
by Grev Wiggs

IF you're thinking about placing your election bets on the basis of what the political polls have been saying — then don't.

This advice comes from a spokesman for one of the big two in the political polling business, the Heylen Research Centre.

Speaking recently to the Sales and Marketing Executives International of Wellington, Heylen's Wellington managing director, Ken Fink-Jensen, pointed out the traps in the interpretation of political polls.

"When one sees that one party has a lead over another and when that adds up to a trend," he said, "then it is easy to come to the conclusion that the trend may continue and widen the gap and that the party with the highest percentage of popular support stands the best chance of winning the election."



But no one can really know whether a trend will continue. In 1970, in Britain, Fink-Jensen instanced, after the polling had stopped and three days before the election, the decisive swing occurred.

It happened again in 1974, where the pollsters polled up to the very day. Again they were wrong.

"What happened very simply was that the polls were not really wrong. In both cases the results were well within the sampling errors. However, the predictive content of the polls was poor."

By "poor predictive content" pollsters are describing a situation where the percentage differences between the share of votes enjoyed by each party is slight compared with the margin of error of the political poll itself.

Obviously where the measure of support for one party widely exceeds that for the next closest, the polls margin of error becomes insignificant.

Fink-Jensen cited the instance of recent Australian elections where a similar thing had happened.

"In the United States at the presidential elections it was too close to call but Carter's pollsters apparently saw the writing on the wall at least three days before the election and so were ready to concede before the polling booths in California were closed.

"Based on their track record in other countries, one would probably not want to use polls anywhere to predict the outcome of the election," said Fink-Jensen.

The speaker set out some of the reasons and the uncertainties which make it unwise to predict election results on the basis of polls.

On election day, the "don't knows" make up their minds. There can be enough of these previously uncounted voters to tip the scales.

The weather and other factors influence voter turnout and the difference between a high poll and a low poll can be all-important.

Just how votes are distributed in each electorate is important. An electorate heavily committed to one party or another is not so likely to be affected by an overall swing.

The poll taken the Saturday before New Zealand's last election showed that Labour would get 0.3 per cent more votes than National which it did, yet National won by a large margin of seats.

And in this election in particular, the emergence of Social Credit as a major contender in certain areas throws the result still further in doubt.

In the face of Fink-Jensen's flat statement that political polls are not necessarily predictive, why did a political commentator like Professor Bob Chapman on the Eye Witness TV programme predict on the basis of a Heylen Poll that National will go back with an increased majority?

"The political poll provides an aid to serious analysts of the factors that affect the standing of the parties and their leaders," says Fink-Jensen.

"It aids in an understanding of some aspects of the political process. How sensitive the electorate is to political issues, what is the effect of campaigns, how long does it take for campaigns to have an effect.

"The poll may help the political analyst make up his mind about who will win the election — although I suspect that this year will be more difficult than it has been before despite electoral pendulums and the like.

"But please don't ask me who will win the election," pleaded Fink-Jensen to his SMEI audience, "you and I will know at more or less the same time."

US car firms report profits

ALL three major American car manufacturers have reported profits in the second quarter of 1981.

General Motors, the last to report, announced that it earned $515 million in the second quarter. This was the third consecutive quarter of profits for the company, which is the healthiest financially of the "big three".

All three companies reported huge losses overall for the year in 1980, resulting from a combination of a weak economy and a shift of consumer preferences to the smaller, fuel-efficient cars that the firms are just now beginning to produce in quantity.

Ford Motor Company reported a profit of $60 million in the second quarter of this year, ending a series of six consecutive quarterly losses that totalled just over $2,000 million.

Chrysler announced a profit of $11.6 million in the second quarter. The company had suffered losses for nine consecutive quarters before that, totalling $3,100 million.

During that period Chrysler received a series of controversial loan guarantees.

The fourth US firm — American Motors — reported a loss of $20 million in the second quarter, but this was a substantial improvement on the $88 million loss during the corresponding period last year.

Despite the profit figures, total sales of the United States car producers were down from last year's already depressed levels. During the first six months of 1981 the total was 3,308,000 units, compared with 3,399,000 in the corresponding period in 1980.

Marketing research is the workhorse of salesmanship

by Grev Wiggs

THE way you pronounce the term "market research" may well reveal your attitude to it.

If you emphasise "research", you could subconsciously be thinking about the means employed to conduct the investigation. Because market research is the product of a number of disciplines such as the social sciences, statistical method and investigatory techniques, it rejoices in an impressive vocabulary of psychological and mathematical terms that present an impressive facade to the layman.

If you emphasise "market", then you could be thinking more in terms of the end use of market research...its ability to reveal a whole range of information about a wide spectrum of marketing situations.

In practice, market research is a rugged marketing workhorse, capable of carrying all sorts of loads, over all sorts of sales territories.

This report, we hope, will serve to demonstrate that point. Fergus Reid, a senior and respected market research practitioner, is one of the pioneers in this field in New Zealand. He started his company, Market Research (NZ) Ltd, 20 years ago and for a number of years it was closely associated with the Ilott advertising agency.

The Market Research Society's yearbook shows the company has offices in Wellington and Auckland, has a permanent staff of 18 and had, in 1980, a turnover in excess of $500,000. We would estimate that MRNZ is among the top three largest research houses in the country.

We recently called on Reid, explained that we wanted to describe the wide-ranging activity that came under the heading of market research and, rather impertinently, asked to see his job list.

He happily complied with a sheet containing 40 separate items. All were commissioned, Reid explained, but not necessarily under current action. There could be an hiatus while further instructions or briefings were awaited.

We started at the top of the list with job No 010.1613.

"This is an interesting one," said Reid, "It's an assessment of an organisation by its members. How well aware are the mutual owners of what services are being provided? What do they know of its management and structure?

"Once it understands the attitudes of its members, the society can then set about to provide the services that are needed." You could classify that study as corporate introspection.

The next item is simply expressed as "national food study."

Reid is about to repeat a monumental food survey conducted in 1962 (and one of the first to be computer-processed). It proved so popular that it was reprinted in 1974.

"To determine the pattern of foods and beverages consumed in New Zealand homes" and "to provide a basic measurement of present consumption habits to serve as a basis for any future investigations", 1400 housewives were personally interviewed.

The results covered the food habits of the more than 5000 people in those households and the main report covers 74 pages of tables.

"It's going into the field now — as a repeat," said Reid. "A syndicated survey like this needs a lot of organisation, not only for the field work and processing, but for the need to advise all sponsors of the opportunity to participate in full or in selected portions of the survey. Food covers a big area."

The following item read "backyard hens survey" for a regular client, the New Zealand Poultry Board.

"We regularly survey urban areas to find out how many eggs are acquired by households and from what source and how they're used. This gives a measurement of the small contribution made by back-yard poultry in the cities.

"Now we are looking at the smaller towns and rural areas where poultry keeping is more significant. All this information is regularly used in the marketing of eggs."

Item 104.1717 read "farm pipe purchasing." It's not concerned with smokers. A manufacturer wants to know about farmers' use of drainage pipes. How big is the market? How is it distributed between types, diameters and end uses. The only possible way of finding out is to go to the farmers themselves.

We skip to a new brief. A financial organisation, witnessing the currently changing roles of financial institutions wants to anticipate and plan ahead.

"It wants to foresee the future developments in the financial field. It would like to analyse strengths and weaknesses of services currently offered. It needs to find out from investors the type of services they want and expect, now and in the future.

"This kind of research is less structured than most. The end-result will be very much of a gut feeling," said Reid.

We come to the first of the regular syndicated surveys that MRNZ provides for its clients.

Every two months, the company mounts a survey of 1500 farm holdings and reports on the purchase and use of 10 categories of agricultural chemicals from animal remedies to fertilisers.

It does the same thing for horticultural chemicals with a coverage of 400 holdings. MRNZ is big in agribusiness.

In the consumer field MRNZ surveys 1200 households each month using a diary system. This provides continuing measurements of consumer expenditure on a wide range of products and services — currently over 20 categories are listed.

A monthly telephone omnibus survey is also maintained whereby the user can place individual questions as required on a continuing or a one-off basis.

Finally in the regularly conducted syndicated surveys comes the quarterly "private investment monitor". This covers 1200 households and measures the forms of investments and the movement of funds between various savings institutions as well as presenting demographic and investment profiles of significant segments.

These five continuing surveys are never absent from the job list. Back to the ad hoc investigations.

MRNZ is to mount a group discussion on floor cleaners to provide background information for an advertising agency.

And another group discussion is being staged to discover the requirements of rental drivers in relation to long distance travel.

Here are two more industrial inquiries. The object of the first is to look at the possibility of a manufacturer recovering a position in an important industrial market which it once dominated; and of the second, a major international company, to assess its potential in an industrial market in which it has not yet been engaged anywhere in the world.

"This next one is an important development for the Accident Compensation Commission," said Reid. "On their behalf we are conducting a major study on the provision of safety services in industry.

"We are asking industry for guidance on a number of points. What are the areas of risk? How do accidents originate? What sort of service can the ACC best provide? It will provide a two-way feedback."

We are far from through the list yet and we're running out of time. But an indication of subject matter for projects on the board or still to surface will prove how wide is the scope of inquiry.

Cosmetics is coming up and so is overseas travel and baling twine, jam packs and toothbrushes, carpets and liquor licensing.

Next month there will be a different list of products.

"Yes, every piece of research has a marketing application," said Fergus Reid. "But even regular buyers of research, though familiar with their own field, don't always realise the spread of applications that research techniques provide today."

Fergus Reid . . . explaining his business

Mexico 'North-South' summit almost a lost chance for beleaguered 'one world' internationalism concept

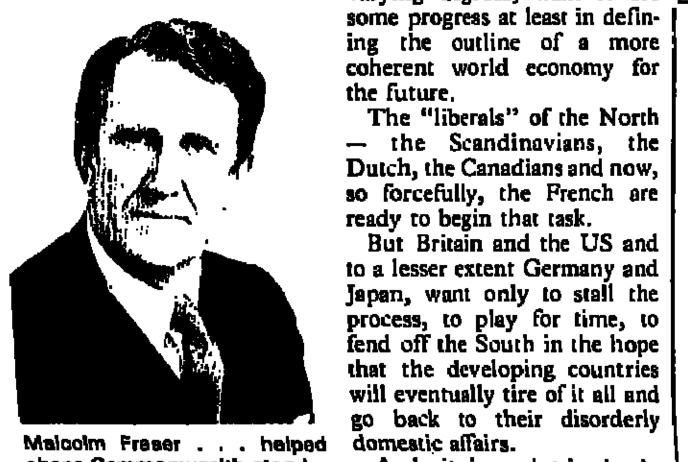
by Christopher Laidlaw

TOWARDS the end of October what may turn out to be the most significant summit meeting of the 1980s will take place at a lonely coastal resort in Cancun, Mexico.

Officially the meeting is to be called the Heads of State Meeting on Co-operation and Development; unofficially it is known to all in the trade as the Mexico summit. To the Mexicans it is the biggest thing since the taking of the Alamo.

It is a meeting of 22 of the world's most important leaders about the economic relationships between nations — between the rich and the poor worlds, or between North and South as they are now known.

What sets it apart is the fact that it has no real agenda or clear public purpose other than to help refloat a dialogue between North and South which ran into the sands of obfuscation four years ago and has remained lodged there, immobile, ever since.



Malcolm Fraser . . . helped shape Commonwealth stand

But it is much more than just a meeting. It is a test of the declining credibility of internationalism, of the willingness of countries, and their political leaders in particular, to see the world through more than a national periscope.

That sense on internationalism which after the war took the Marshall Plan as its guiding light has eroded dangerously during the 1970s.

Worldwide recession has produced a retreat into narrow nationalism at a time when, paradoxically, the realisation that no nation can any longer go it alone is indisputable. Yet many of them, Britain included, are piously proclaiming that internationalism must wait for better times; that the domestic house must be put in order first.

Marshall would turn in his grave at such small thinking at a time when bigger thinking is once again so urgently needed.

But the issues for Cancun run far beyond the international economic arena because the conflicts arising from North-South disparities are woven right through the texture of East-West relations; so much so that North-South and East-West are now indivisible.

The manifestations of this are widespread. Take, for instance, Afghanistan: left to decay by the West until the Russians moved in, and Iran, too fondly embraced by the West, and now not only lost strategically but a positive irritant to prospects for detente.

It would seem then that the time is hardly right politically to go to an international economic debating table. Yet in some respects it could not be better.

Almost every country except perhaps Britain and the United States now wants to pick up the threads of the arduous global negotiation they know to be unavoidable and urgent.

Not all of them want bold decisions; but most of them, to varying degrees, want to see some progress at least in defining the outline of a more coherent world economy for the future.

The "liberals" of the North — the Scandinavians, the Dutch, the Canadians and now, so forcefully, the French are ready to begin that task.

But Britain and the US and to a lesser extent Germany and Japan, want only to stall the process, to play for time, to fend off the South in the hope that the developing countries will eventually tire of it all and go back to their disorderly domestic affairs.

And, it is maintained, the slower the progress the more the strain on the unity of the South and thus, in the end, the better the deal for the North.

These differences smouldered behind the screens at the Ottawa summit and the communique as a result gave little more than symbolic attention to the importance of the North-South dialogue.

But despite their public posturing, most of the Western governments, even the hardliners, have been forced to sit down and ponder as to the form that the world economy will take in the years ahead.

This state of altered consciousness has largely been provoked by the appearance of the Brandt Report, from Willy Brandt's Independent Commission on International Development Issues, issued a year ago, and the product of an immense amount of careful and creative thinking by an impressive mixture of politicans, statesmen and businessmen from both North and South and representing all economic ideologies.

The Brandt Report has marked a world wide turning in the tide of perceptions on North-South issues on a far greater scale than the publicity it has received would suggest.

The report's recommendations are a mixture of the obvious and original, laying out a basis for action which stresses self-interest as its pivotal premise.

Instead of talking of the need for more aid, more charity, more benevolence, Brandt stripped the issues bare and revealed naked self-interest at every core, explaining in dramatic terms that a restructured world economy is unquestionably in the interests of all — not just the poor.

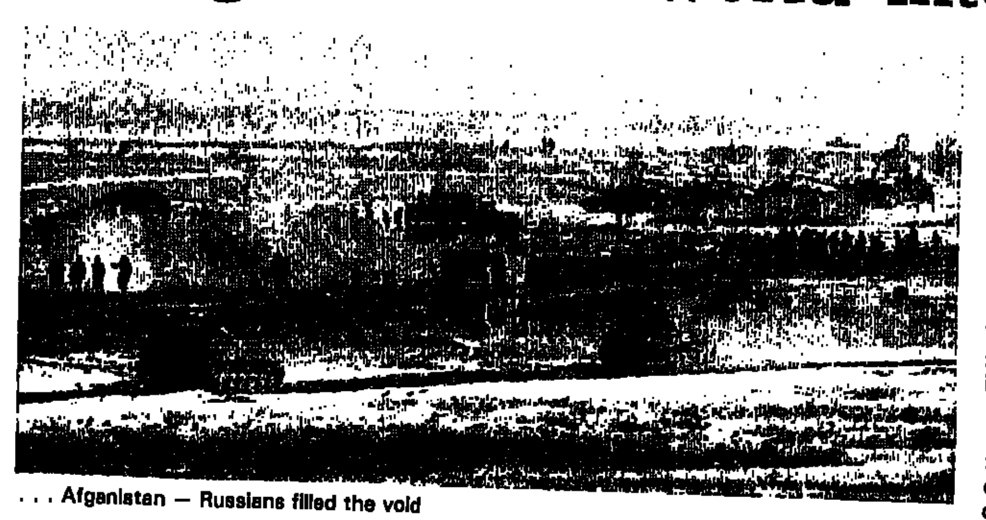
And, more chilling, the report spelt out the disturbing political and social consequences of inaction.

Iran — an irritant the west fondly embraces . . .

Yet, while it has ignited the imagination of a vast number of people in both North and South and mobilised the development lobbies in western capitals as never before, the emergency action that Brandt advocates a year ago — a new approach to the recycling of financial resources, a global energy strategy which brings Opec genuinely into the international fold, a massive programme to transform food production and a restructuring of the international institutions which govern the world economy to enable a fairer sharing of power — has yet to materialise.

And that is where Mexico comes in. One of the key recommendations of the Brandt Commission was to elevate the dialogue beyond the reach of officials with no power of decision, to politicians who know better the business of compromise and accommodation.

Willy Brandt . . . altered our perceptions



. . . Afganistan — Russians filled the void

Thus the proposal for a summit meeting of the world's leaders capable of seeing beyond the narrow corridors of national interest; a group who could, in a sense, represent others with similar problems and articulate those problems in a search for common ground.

The gradual evolution of the "group" for Mexico has been a fascinating exercise in international and personal relations.

Obviously the heavyweights of the North, the United States, Japan and Germany had to be there regardless of the quality of their leaders, for without them, or the Saudis, the meeting would have no point.

The process of selection beyond that however was much less easy. Some leaders like Julius Nyerere, of Tanzania, Francois Mitterrand, of France, and Pierre Trudeau, of Canada, were natural choices as eloquent spokesmen for North-South rapprochement in their own right.

Michael Manley might have been there too for the same reasons had not been unseated in Jamaica a little too early.

The need for balance between ideology, region and relative economic circumstances dictated such diverse choices as Guyana, Bangladesh, Sweden, India, Brazil, the Ivory Coast, the Philippines and Yugoslavia.

And the need for oil producers like Saudi Arabia, Nigeria, Algeria and Venezuela and big oil importers like Japan and Germany.

Both China and Russia were "approached" by diverse means, partly via the Brandt Commission connection, partly through established diplomatic channels. Significantly, only China has agreed to come.

The Russians, for so long dedicated to blaming all the world's economic ills on the dual horrors of colonialism and capitalism are clearly embarrassed by it all.

To have to admit to a share of responsibility not only for the past but also for the future is, clearly, quite beyond the politburo for the moment. Nevertheless, efforts are still being made to entice the Russians in; and the invitation which hasn't yet been refused remains on the table.

Pierre Trudeau . . . natural choice

One of the most controversial choices was, of course, Margaret Thatcher. To all intents and purposes the Conservative British Government had shelved the whole issue of development, written off the Third World and refused to contemplate anything beyond a charitable minimum of aid as a waste of time and money.

The Foreign Office attacked the Brandt Report prematurely and with uncharacteristic fervour and debunked the idea of a summit. It was promptly embarrassed by a wave of indignation from the development lobby in this country and elsewhere and Thatcher, a little better briefed, is now all fired up to go to Mexico, perhaps determined to show that good housekeeping can also be applied to the world economy.

The important thing is that she will be there like her American counterpart meeting and listening to other leaders with vastly different perceptions. And perhaps learning.

Who, it is quite reasonable to ask, is orchestrating all this? After all, presidents and prime ministers are not easy people to gather together at any time. The answer is — with a lot of help from their friends — Presidents Portillo, of Mexico, the happy host, and the unlikely figure of Bruno Kreisky, the Austrian Chancellor, a relatively recent convert to internationalism but an ideal choice as a link between both South and North, and as leader of a neutral state, with the Comecon countries.

There are of course others who are very anxious to be involved, notably Malcolm Fraser, of Australia, a conservative with liberal economic instincts, determined to make a contribution to the higher diplomacy of development. But the line had to be drawn somewhere and Fraser found himself on the wrong side of it this time.

Nevertheless, Fraser, who was the chairman of the Commonwealth heads of government meeting held last week in Melbourne shortly before Mexico, presided over a very important prelude to the Cancun summit.

The Commonwealth has a special ability to feel the way forward for the rest of the international community. It has already made several key contributions to the North-South dialogue, drawing on its unique approach to summitry.

Melbourne set out to provide a platform for Mexico by narrowing the differences and agreeing on the key issues which must be tackled.

If all goes well Mexico will conclude, not with the conventional, long, detailed communique which by chicanery of language takes care of everyone's concerns, but with a commitment to negotiate realistically and dispassionately on a small number of issues — the core issues of food, energy, trade and finance.

It will enable, perhaps encourage, political leaders to instruct their officials to take the negotiarion seriously.

Margaret Thatcher . . . wrote off Third World

But Mexico is not an end in itself. It is but a beginning, the first opportunity to take a bold step forward in reshaping the world economy for the 21st century. If it succeeds it will most certainly be looked back on as the most significant event since the creation, at Bretton Woods in 1944, of the existing system which has now grown rusty and outmoded.

The need to negotiate a new structure is overwhelmingly urgent. Perhaps Cancun really can provide the trigger.

Letters

Not so rosy under Socred

WHILE Mr Hockey is no doubt sincere about believing British Columbia is the Socred miracle on earth, being so heavily involved that he has come to the Bay of Islands to help Socred (NZ), there are severe errors in his article (*NBR*, August 10) that need pointing up.

First, the Crown corporations of BC have steadily increased their debt while the Government claims its own budget is balanced.

In the 1981 fiscal year 10 Crown corporations will borrow $1.59 billion, at 50 per cent more than that borrowed in 1980. This debt does not show in the Government's general fund expenditure but is shown separately. These corporations are also in receipt of special tax treatment which means that the Government will forego $102 million in tax revenue this year.

The accusation levelled in BC, by the press, is that Socred is hiding the public debt by using the Crown corporations to mask an $8,570,000,000 guaranteed debt.

Second, the 1981 provincial debt, excluding the guaranteed debt, amounts to $209,247,700.

These figures are revealed in the 1981 provincial budget and by the *Vancouver Sun*, of March 17, 1981.

Third, the BC Socred Government is resorting to classic desperation moves as its "think big" policies begin to collapse around its ears. Socred is simply hocking off BC resources.

A classic example is the sale of NEBC coal to the Japanese steel industry. The result will be that the Japanese get the coal, and British Columbia the hole and an increase in taxation. The $485 million cost of development is to be borne by the BC taxpayer while 100 million tonnes will be supplied to Japan at bargain-basement prices as well as granting the companies freedom from sales or corporation taxes for the next 10 years.

Foreign takeovers of BC holdings have increased from nine in 1976 to 39 in 1978. More than 74 BC enterprises have fallen into foreign hands since 1975.

Fourth, the Kamloops by-election, boasted of by Mr Hockey, needs to be put into perspective and the BC scene.

Kamloops is a secure Socred seat. In fact Kamloops has elected only one New Democrat in 1972 on a split vote. Kamloops voting history looks like this:

	Per cent 1969	1972	1975	1979	1981
Socred	46.12	29.25	48.67	51.74	46.
NDP	25.92	32.19	36.49	40.64	42.
Liberal	28.96	24.43	14.84	—	3.
P. Conservative	—	13.92	—	7.62	9.

So despite Mr Hockey's protest that Kamloops is an example of Socred support remaining high the polling figures show a consistent decline in Socred popularity. If the voting trends revealed at Kamloops were applied to a general election across the province Socred would lose eight seats, thus making it the opposition and putting the NDP into the government with an 11 vote majority. (Incidentally the Socred candidate Richmond won the seat by a mere 775 votes — a definite marginal in anyone's terms considering the previous safety of the seat!)

While Mr Hockey mentions poll results showing declining Socred support he neglects to indicate what these polls indicate province-wide.

The March 1981 Gallup Poll showed the following:

Socred 19.7 per cent (a drop of 7 per cent since 1980); NDP 33.7 per cent (about the same); Liberal 3.4 per cent; Conservative 7.5 per cent (up 2 per cent); Other 0.3 per cent; Refused 11.5 per cent (up 4 per cent — mostly Socred); Undecided 21.1 per cent (static); Not eligible 3.0 per cent.

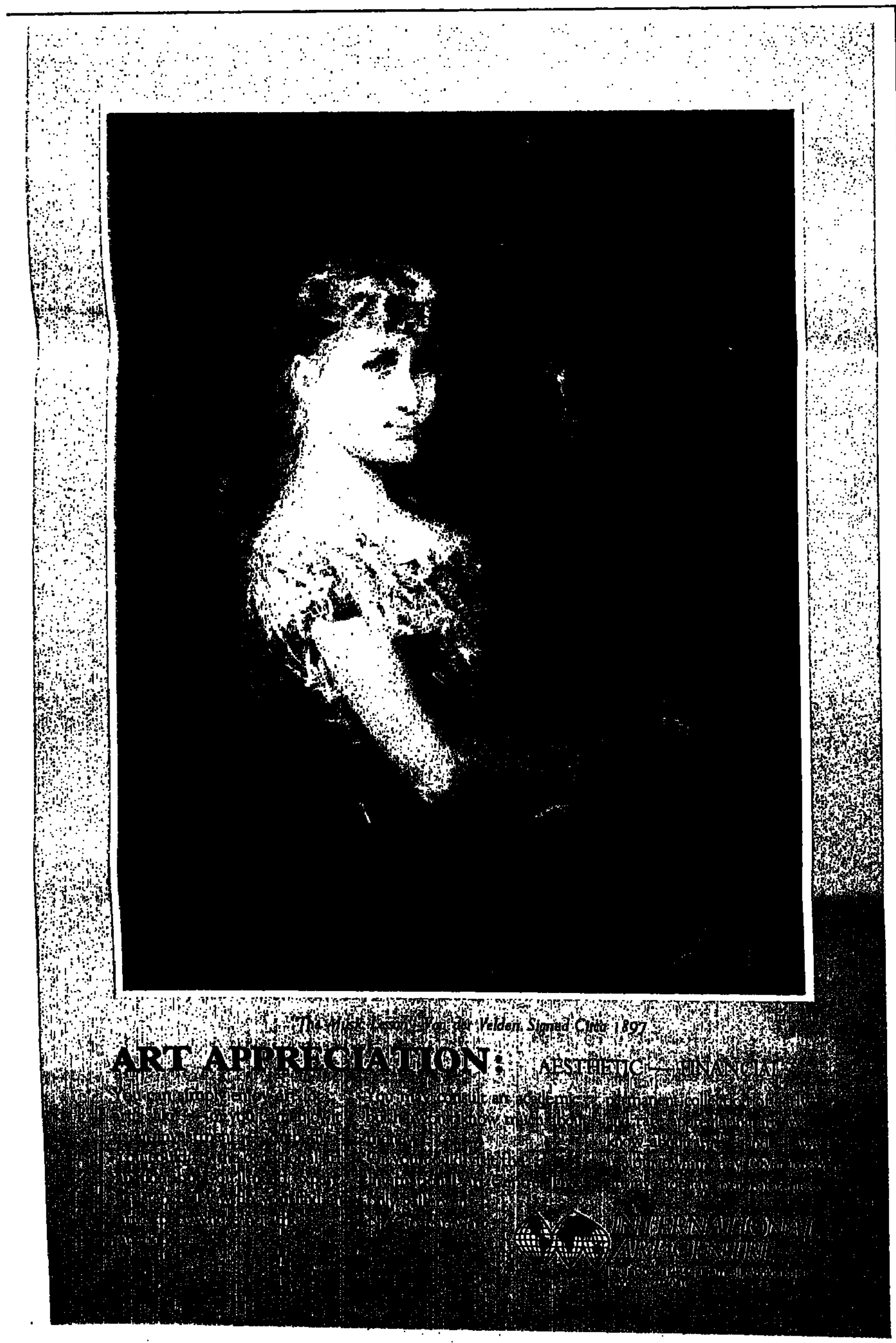
The overall picture is definitely not rosy for Socred in popularity, province-wide.

Fifth, a New Zealand commerce group on tour in BC discovered the following facts: Vancouver's inflation rate (BC's capital) is 14.2 per cent or Canada's highest.

Housing costs are the nation's highest — a three-bedroom house costs $155,000 (compared to $65,000 in Winnipeg or Montreal).

In other words Mr Hockey's words need to be taken with a large grain of salt for, although the province is riding a boom cycle, the bust is very close to occurring as the Socred Government struggles to hide debts and shuffle the economy to claim a success story amid growing press criticism of their actions.

A J Papprill
Whangarei



It's already happening

YOUR columnist, W E Christie in an attempt to justify the tired old myths about Social Credit, takes a remarkably credulous approach to orthodox economic management.

He foresees "calamitous inflation" as a result of the Reserve Bank's being obliged to "write cheques for vast sums of money not backed by revenue." Perhaps he should read your own article in the same issue of *National Business Review* (August 31). "The increase in money supply is galloping at an annualised (sic) rate perhaps as high as 30 per cent."

Mr Christie chooses to gloss over two important facts; that the present Government's expenditure *does in fact*, exceed its income (by a projected $2090 million in the coming financial year) and that Reserve Bank credit *is used*, as an overdraft for Government spending, and for such schemes as the supplementary minimum prices to farmers (as recently admitted by the Prime Minister).

Mr Christie debunks Mr Beetham's statements on the velocity of circulation of money by referring to the journeys of a hypothetical $10 note.

Of course, notes and coins represent only a very small proportion of the total money supply. An important factor, seemingly overlooked by Mr Christie, is the proportion of the total money supply made up by credit created at interest by the banking system.

This, then, is the essence of Social Credit; that the money generated as income from production of goods or services (debt-free money, if you like) is declining as a proportion of the total money supply, and the gap is bridged by the creation of credit, at ever-increasing interest rates, by the banking system.

This is the burden of non-repayable debt referred to by Social Crediters as the fundamental cause of the "calamitous inflation" we are at present experiencing.

The Social Credit solution merely proposes that the *source* of credit creation instead of being the banking system, as at present, should be a revamped version of the Reserve Bank, the New Zealand Credit Authority, which would provide the credit to finance increased productivity at cost *without profit*.

Alan Scott
Eden Candidate
Social Credit

'Give us the tools . . .'

TALK about falling into your own trap!!

Your writer, W E Christie, really put his foot in it when writing about the "fallacies" of Social Credit. (*NBR*, August 31)

Of course, more cutlery in the restaurant wouldn't mean more meals . . . if . . . there was enough silver to set table, fill sink, the sideboard drawer, and so on.

But, your writer just *presumed* there was.

What say there wasn't enough knives and forks and such to set table. You could . . . use your fingers (very primitive); wait patiently (stagnant production); or bribe the waiter with half a dollar.

That's what's wrong with New Zealand! There isn't enough cutlery for the customers, and the waiter (money manipulator) is demanding the half buck to put the where-with-all (working capital) on your table.

And if some other hungry customer wants to be fed first, he can damn well fork out a dollar or let his tongue hand out!

Cedric Blaymires,
Social Credit Spokesman,
Agriculture

Remember the time factor

I HAVE read with interest the series of articles on Social Credit, as seen by W E Christie. Unfortunately you do not mention what qualifications, if any, W E Christie has. Not that it matters especially as I contend that the articles, being built on one factor, are quite incorrect.

My studies of economics and business practice clearly indicate that time is a factor in both areas.

Your correspondent, in the final article, then goes on to perpetuate the myth that borrowing is non-inflationary but a balanced use of the Reserve Bank is not. If your correspondent had read his/her literature correctly, it would be crystal clear that Social Credit will have balanced budgets as its primary goal.

Not so long ago it was claimed that banks did not create money — a myth which has been exposed, just as now recognition of time factors will also be shown to be false.

Finally, I suggest your readers may be interested to know that the "Guernsey Experiment" (on the island of Guernsey) was a successful implementation of most of Social Credit's economic policies.

David J Stevens
MNZIT ANZIM
Social Credit Candidate
Tamaki

Letters

Shortages in money supply

IN a recent article (*NBR*, August 31), W E Christie criticises Social Credit by suggesting that the money supply is similar to the supply of cutlery in a restaurant. Mr Christie claims that increasing the supply of cutlery will not increase the number of meals served.

Mr Christie, however, misses the point that if the restaurant has a shortage of cutlery, this will limit the number of meals that can be served. Thus, in this case, increasing the supply of cutlery will in fact increase the number of meals served.

This is precisely what Social Credit is saying — if a shortage of money is the only factor stopping the utilisation of unemployed resources, then the judicious allocation of money will bring these unutilised resources into production.

Steven C Darnold
Alexandra.

Not merely Socred

I compliment you on deciding to run a series of articles that deal with the fundamental principles on which Social Credit is based. As is pointed out in the first article, it is Social Credit's financial policy which makes it so different from the other parties.

W E Christie gives the impression that it is only Social Credit that says that the banking system creates credit out of nothing. This is not correct, and in support I quote the economist J K Galbraith, *The Age of Uncertainty*, Pages 166-167:

"Then came the second Amsterdam discovery, although the principle was known elsewhere. The deposit so created did not need to be left idly in the bank. They could be lent. The bank then got interest. The borrower then had a deposit that *he* could spend. But the original deposit still stood to the credit of the original depositer. That too could be spent. Money, spending money, had been created. Let no one rub his or her eyes. It's still being done — every day.

"The creation of money by a bank is as simple as this, so simple, I've often said, that the mind is slightly repelled."

The creation of credit by the banking system is, of course, a different question to that of the A+B Theorem, and it is hoped that your paper will explain the effect on the economy when credit is created for private gain.

F A Strange
Hamilton.

Money supply and Douglas

HAVING spent some years as a member of the Social Credit Political League's technical committee, I must take issue with the feature article in your August 31 issue. Informed criticism is valuable, but it is reasonable to expect that it should be informed in a prestige journal such as yours.

Your writer's comment on Social Credit's National Credit Authority ignored its stated function — to ensure that there is never too much (or too little) money in circulation.

In relation to the A plus B model, it should be realised that the reverse assumption, that industry does pay out sufficient purchasing power to buy its production, is just that, assumption. Keynes has stated this clearly.

Modern economists appear to be gradually coming round to a scientific discipline of inductive reasoning (testing by results), instead of their older and looser methods of basing deduction on assumptions. Meanwhile, the average motor mechanic is more scientific in his methods. Taken on its merits by this form of discipline, the Douglas A plus B model explains fully the following phenomena, while the orthodox theory does not:

(1) The failure of prosperity among Western nations for nearly the whole of this century, except when there was massive production of non-consumable goods in the form of armaments.

(2) The fact that massive credit squeezes in this country over the last twenty years, reducing the volume of money in relation to GNP very considerably, have failed to control inflation. All that has happened is that industry has stagnated.

(3) The fact that inflation was not seri us in this country during wartime and the recovery years; only becoming so as governments started trying to control it by faulty methods.

I wonder why commentators have not realised the significance of the model to modern times, stated as follows: "There are forces in our economy which push prices up beyond the level the community is able to pay."

In other words, we have cost-push inflation, not the demand-pull variety espoused by orthodox economists, particularly those associated with the financial institutions.

Of course, the issue has been obscured, and some Social Crediters have not been blameless in this regard. The A plus B model was derived from industry, and applies to it, not necessarily to the economy as a whole.

There is an intrinsic "gap", but if the banking system, by creating and circulating new money, fills or overfills it, then there is patently no gap nationwide. (It is of interest to note that the money supply has increased by more than $800 million during the past five years.)

This highlights the importance of Social Credit's determination to so regulate the money supply that there is neither too much nor too little in circulation. For 50 years or more, Social Crediters have been saying that there could be circumstances when they would reduce the money supply. They are still saying it.

Business is in trouble under the present system. Surely the alternative deserves an intelligent appraisal rather than an inspired attempt to damn it?

John G Rawson
Whangarei

Muddled economics

W E Christie lays the foundation for demonstrating that Social Credit thinking is muddled (*NBR*, August 17). Orthodox economic theory is also muddled.

On page 88 of the scholarly *On Keynesian Economics and the Economics of Keynes* (Oxford University Press, 1968), erudite economist Axel Leijonhufvud says, "The usual interpretation of the Keynesian unemployment 'equilibrium' is one in which the excess supply of labour has a counterpart in an excess demand for money of equal value."

The orthodox supposed remedy is for governments to increase aggregate purchasing power by deficit financing. We all are experiencing the resulting inflation.

Social Credit finance spokesman L W Hunter in his *Cause and Cure*, published 1977, amidst the muddle almost hits the mark at times. He claims that once their system is in operation people will "acknowledge that equilibrium has been maintained between total incomes and goods and services produced."

The condition for our unit of economic measurement, our dollar, to remain constant is that total money income must be equal to the total real income. If the current flow of money income is greater than the real income flow, the flow of goods and services at current prices, then we are sure to have general price increases and its obverse the shrinkage of the size of our money unit.

John R Perkins
Tauranga

Sounds like Social Credit

IT is often said that "nothing succeeds like success". In the case of Social Credit, this is most certainly true.

Dr Ewan McCann, senior lecturer in economics at Canterbury University, has been quoted in the Christchurch *Press* as saying that if he interpreted Socred New Zealand's economic proposals right, they were far in advance of those of the National and Labour parties.

But equally gratifying is the reaction conferred on other economists who arrive by independent routes at the recommendations made by an engineer, C H Douglas, 50 years ago. A recent example was the idea of Professor Eugene Fama, of the University of Chicago's business school, as described by economics journalist John Davenport in a recent edition of the magazine *Fortune*. ("A testing time for monetarism," John A Davenport, *Fortune* magazine October 6 1980, pp 42-48.)

Fama's ideas, with due allowance for the differences between the New Zealand and United States banking systems, were almost identical to those of Socred in New Zealand. Specifically trading banks were to be transformed into "thrift institutions", like our trustee savings banks, and (obviously) to be deprived of the right to create money and lend it at interest. The Federal Reserve system, "or some similar agency" (like a national credit authority?) "would be closely monitoring and targeting on the total currency . . . by speeding up or slowing down the printing presses."

Now, this obviously would require, as does Social Credit, that every dollar's worth of debt would have to be backed, somewhere in the economy, by a dollar's worth of cash or other form of debt free currency. And in order to bring this about "The Fed" would have to issue cash at the same rate as that at which the banks called in their amount of debt in excess of assets. (If this were not done there is no way in which this debt could be redeemed!)

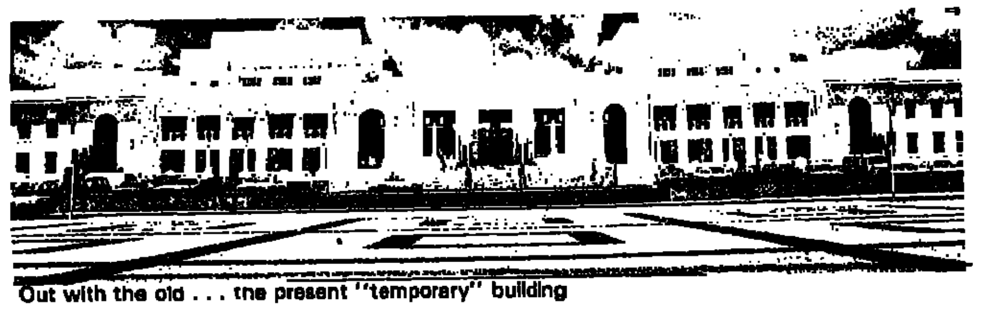
But the strangest thing of all is that this proposal, when made by an economist, is called merely "rather startling", whereas the same proposal, when made by an engineer, is decried as "crackpot"! To me a strong suggestion of professional jealousy rearing its ugly head in the form of the "not invented here" syndrome!

John Hay-Heddle
President,
Hamilton East branch
NZ Social Credit Political League.

Canberra splashes out on a new Parliament House

from Keith Hooper

THIS month work begins on laying the foundations, on Capital Hill in the heart of Canberra, of Australia's new and permanent Parliament House, which, on present budgeting by the ruling Liberal and National Country Parties Government, will cost $A220 million.



Out with the old . . . the present "temporary" building

The project, due for completion and official opening on January 26, 1988, already is creating considerable interest both inside and outside Australia.

Site construction is under way in preparation for stage one, to be undertaken as a joint venture by two of the country's biggest building groups, Concrete Constructions and John Holland, whose works have included some of the largest in Australia, including the recently completed $A187 million Westmead Hospital, in Sydney, and the Hay Point Harbour for coal shipments near Gladstone, Queensland.

The project could arouse interest from construction firms across the Tasman, for possible sub-contracting.

The new Parliament House will replace the present "temporary" house opened in 1927, which has had to be expanded several times to cope with the growth of Parliament over the past 54 years.

The present building originally was intended to cater for a Senate of 36 and House of Representatives with 75 members, numbers today almost doubled because of the need for new parliamentarians to match population growth. In 1927 there were just over five million citizens, whereas now the figure is close to 15 million.

The existing building, which was trebled in size in 1947 to 17,000 square metres and 640 rooms, has become hopelessly inadequate, not only for its primary purpose but also to accommodate additional staff and media representatives.

A check made recently showed tha the "provisional" Parliament House is accommodating at present about 2000 senators, members of the House of Representatives, parliamentary staff and media representatives — with the last group augmented markedly in recent years since the advent of television and additional specialised publications.

Indeed, there is a growing concern about the dilapidation by age of the present building, the high cost of repairs and maintenance and the increasing risk to people using it from, for instance, a possible fire.

A process of investigations and reports from 1957 reached culmination on November 22, 1978, when present Prime Minister Malcolm Fraser announced a firm decision to build a new Parliament House on the site chosen for it in the original plan for Canberra laid down by American architect Walter Burley Griffin, who won in 1912, from 136 other architects and town planners, a worldwide competition for a national capital when the Australian States, which had federated in 1901, disagreed that Sydney or Melbourne should be the capital (although, until 1927, the Federal Parliaments met and sat in Melbourne).

Appropriately, the new Parliament House in design is itself the winner of an international contest, which closed on August 31, 1979, with 329 entries.

Appropriately, too, the design chosen and now being followed to the plans of the winning architects, Mitchell/Giurgola and Thorp, would no doubt please the late Burley Griffin, whose association with Canberra is perpetuated in the lake bearing his name which separates North and South Canberra.

And it happens that the principal architect, Italian-born Professor Romaldo Giurgola, 60, studied with great interest as a student in Rome the Burley Griffin Canberra plan.

Moreover, the architect on the job, Richard Thorp, is an Australian who learnt his profession in Melbourne before joining Mitchell/Giurgola in New York.

The plan is simplistic in that the new Parliament House will be built in three levels in the form of two boomerangs back to back.

After the top of Capital Hill has been cut away, the removed earth will be replaced on top of the building on completion and planted with lawns, shrubs and other plants. In effect, Parliament House will be within Capital Hill, rather than on it.

This will make the building one of the most unusual capitols in the world and certainly one of the most adventurous architectural achievements since Sydney's Opera House, now recognised globally as a masterpiece.

The Parliament House should not be fraught with the problems which beset the Opera House, where new architectural concepts were tried.

Even so, the project will require features which will need to be taken into careful account. For instance, on opening Parliament House will need telecommunications facilities alone for about 3500 extensions, but allowing for an estimated 6000 by the year 2000.

Discussing the project, which he said would be built by the "fast-track method" to ensure the opening schedule were met — on Australia Day, 1988, which coincides with the 200th anniversary of the arrival of Captain Phillip and the First Fleet at Port Jackson, familiarly known as Sydney Harbour — Thorp said recently that the course of the work would provide new employment in Canberra for well over 1000 workmen, apart from business for numerous firms supplying materials and employment and other benefits engendered for those companies.

Mitchell/Giurgola and Thorp's new offices in nearby Manuka (the only area in Canberra with a New Zealand name, recalling that New Zealand in the 1890s was invited to join the then-projected Australian Federation but declined) already has a workforce of neary 40 architects and other professionals, a number which should double, at least, as the pace of the job increases.

In addition, Parliament created a Parliament House Construction Authority, which is acting as liaison and overseer of the work. It has a staff of a couple of dozen people, also certain to be enlarged.

The decision to proceed with the Mitchell/Giurgola and Thorp design first stage was approved by the Senate and House of Representatives early last month, with unanimity among all parties.

It is worth quoting some of the remarks made on the project by parliamentarians, which express in effect the feelings of all Australians —

The Prime Minister: "It must be pleasing to all members . . . to hear the almost universal acclaim that the (Mitchell/Giurgola and Thorp) design has received throughout the Australian community. It is an imaginative design. It fits into the general landscaping of Capital Hill and the parliamentary triangle. When completed, it will serve the needs of Australia for as long as Australia survives . . ."

Victorian Labour MP Keith Johnson: "All sorts of tricks will be pulled out of the box to try to denigrate the new building . . . I think the bulk of people recognise the need for Australia to have a prestigious Parliament House. In my view, nothing could suit the Australian atmosphere better than the proposed building. It will be what Burley Griffin wanted . . ."

Communications Minister Ian Sinclair: "It is important not for the bricks, for the mortar, for the concrete or for whatever are its surrounds but for the ability of members of all political persuasions to function more effectively in circumstances which will enable them to consider adequately the representations that undoubtedly will be made to them over the next few centuries. The new Parliament House will . . . serve as the principal site for the consideration of matters political in this nation."

South Australian Liberal Senator Harold Young: "I look forward to the day when this building is completed. I am certain it will be a building worthy of this country and the Parliament."

Finally, it is worth noting that, only a stone's throw from the new Parliament House, on the south-west side, are the embassies of leading Australian friends in Asia such as Japan, Indonesia and the Philippines. A stone's throw to the north-west are the Canadian, New Zealand and British High Commission buildings.

Australian industrialists disenchanted with shipping

AUSTRALIA'S productivity and international competitiveness have been severely hampered by the protected inefficiencies, cartels, bureaucratic intervention, and hidden subsidies of the Australian shipping industry, according to the Australian Industries Development Association.

The cost of all these factors is borne by the nation's exporters and importers, and the AIDA says the time is long overdue for a national inquiry into shipping, an industry surrounded by a "peculiar mystique" in Australia, and one little understood by its users.

A recent AIDA study, commissioned from the Australian Centre for Maritime Studies, argues that coastal shipping costs constitute one of the greatest burdens suffered by steel manufacturers.

It cites an inquiry by the Industries Assistance Commission which estimated that annual savings of more than $A16 million could be achieved if existing ore carrying vessels around the coast were replaced by 100,000 dwt vessels with crew costs at Scandinavian levels.

This calculation was based on 1976 costs, and with some estimation of the impact of inflation the IAC further estimated that the total savings to be achieved by this measure would amount to some $A205 million for the decade 1976-86.

More recently a major steel company's chief economist has claimed that the cost of transporting a tonne of steel by coastal liner from Port Kembla on the New South Wales coast to Fremantle in Western Australia is 44 per cent higher than the cost of shipping the steel from Japan to Fremantle.

A 1980 study of the relative cost of moving general cargo inter-state found, that although shipping is more fuel efficient than either road or rail, other costs incurred by the shipowners make sea uncompetitive.

Undoubtedly the current structure of coastal shipping imposes excess costs on the rest of Australia, and the AIDA says there are clearly substantial benefits to be gained "if the government could be persuaded to deregulate coastal shipping, to open up the coastal trades to foreign flag vessels on an unrestricted basis."

Their lower cost structure would stimulate coastal shipping and enhance the competitiveness of Australian shipping.

Critical though the industrialists are of coastal shipping they reserve their sharpest barbs for the liner trades, the technical market structure of which they describe as ranging from "imperfect oligopoly through perfect oligopoly to outright monopoly." Australia's exporters are burdened by "tightly cartelised liner organisations operating on fat routes: organisations of the type which brook no effective competition."

The study adds: "The Union Shipping Group Ltd's grip on the trans-Tasman trade provides an instance of near monopoly control of a route. Likewise, for a case of an extremely tightly-cartelised situation, one need look no further than the Australia/United Kingdom/Europe Conference."

Commenting generally on the liner conference characteristics the AIDA study says that for its members, adherence to conference-set tariffs is mandatory. Non-price competition is also suppressed within the cartel by such devices as the allocation of sailing dates, ports ranges, cargo carrying quotas, revenue pooling, or combinations of these devices.

Furthermore, competition by outsider lines is stifled by loyalty agreements which enforce exclusive patronage guarantees extracted from Australian shippers.

The AIDA comments that in their "most pernicious form" a loyalty agreement may be recast in the mould of a disloyalty punishing device.

"Such an intention, if proved, would lead to anti-trust penalties in both the United States and Japan. But at present some Australian trades are subject to this type of disloyalty device . . . conferences simply advise the rates available to signatories to their agreement, and without extra specification, warn of the additional penalty that will be charged to non-signatories . . . penalties of up to 40 per cent on the top of loyal shippers' rates have been threatened."

The AIDA concludes that all the while the liner conference agreements are exempt from the monopoly provisions of the Trade Practices Act the conferences will take advantage of monopoly power to charge rates, not on the cost of shipping a container, but on the basis of "what the market will bear".

The AIDA claims that Australian industry and consumers "pay the freight" both ways — importing and exporting.

It states: "The overwhelming incidence of liner freight costs in both the Australian export and import trades is borne by Australian exporter and importer interests . . . It is important to grasp this fact and so to lay to rest the widely promulgated error that it is simply the importing nation that pays: the incidence of freight charges, like the final resting place of taxes, is determined only by bringing in the specifics of the market structure of the commodity being exported or imported.

"Perhaps the myth that the importing country always bears the freight cost comes about because of the conventions of balance-of-payments accounting. Freight and insurance on exports do not constitute a debit in the official balance-of-payments estimates, as exports are valued fob.

"Perhaps because the same balance-of-payments convention includes freight on imports in the invisibles account, such charges have been thought of as largely paid by Australians. A strict reliance on these conventions must be made only when one is concerned with balance-of-payments effects *per se*, but not with overall effects."

The study emphasises that if freight costs for Australia's exports and imports increase faster than the cif price of exports, and the fob price of imports then it experiences a worsening in its barter terms of trade; and where a rising trend in real freights is persistent over long periods, the effects on a country's terms of trade from the burden of such increasing transport costs can be considerable.

In competitive bulk-shipping, technological change has led to a decline in real freight rates over the last century. The reverse has occurred in the cartelised liner shipping.

Over the decade to 1971 the mean of tramp and bulk ship rate levels declined. During the same period there was a 60 per cent increase in the liner index — and this was in a period when the liner conferences were claiming major technological and cost innovations would flow from containerisation.

All in all, Australia's industrialists remain disenchanted with both the costs of coastal shipping and the exactions of the liner conferences.

Electronics industry awaits IDC draft report

by Stephen Bell

THE Industries Development Commission study of the local electronics industry is on its last lap. The draft report awaits only ministerial approval and further consultations with members of the industry.

The IDC had a chance to buttonhole many of these together at Wairakei last week, when the New Zealand Electronics Manufacturers Federation held its first conference since its reconstitution.

Previously known as the Radio and TV Manufacturers Federation, the organisation now embraces the "professional" electronics sector.

Likewise, the IDC report, initially intended only to cover "domestic" electronics, was extended to cover industrial microelectronics.

The draft report will go through the normal cycle of hearings, involving interested and affected parties, before final Government decisions are made.

Two existing reports, one by an inter-departmental Government working party and another by the DSIR, supplied much of the raw material for the IDC.

The commission has added considerably to this, notably bringing in the telecommunications industry as a fourth sector, beyond domestic, professional and the components industry, which supplies all three.

The IDC indicated its electronic study has required a different treatment from previous ones in terms of "weighting" given various aspects of the question.

The need for a large pool of professionally trained people to build up a viable industry has assumed major importance, in view of electronics' intimate involvement with many "user" industries, which will in future need on-site electronic specialists.

This raises the problem of user industries acting as a drain on the professional industry itself, and its "pool" of trained people.

A large part of the report is devoted specifically to training needs, an emphasis not found in the other industrial sectors surveyed.

The question of the link between the original "bright idea" and the mass production of an item is also critical to electronics specifically. The typically small New Zealand electronics firm could only make short runs at best, and is often reduced to licensing overseas for manufacture.

While the original departmental report suggested a considerable discouragement of the domestic side of the industry, the IDC may propose a more cautious approach, with the domestic industry providing mass-production facilities for the professionals.

The first of the formal IDC hearings is expected to be held in late February.

Software interests will be hoping for more attention in the IDC deliberations to their exportable commodity.

The whole professional electronics industry hopes any final Government tariff changes agreed will include a removal of the 40 per cent sales tax imposed on "computers" and electronic processing gear which is not an integral part of a machine.

The figures tell all: export drive is success

by Bob Edlin

THE continuing success of the country's export drive is spelled out in the Reserve Bank's review of overseas exchange transactions for the year ended June 1981.

Recording our export receipts and how they were generated in the September issue of its *Bulletin*, the Reserve Bank shows that export income has almost doubled since 1977.

Export receipts for the year ended June 1981 totalled $6187 million — an impressive increase of $1041 million (20 per cent) over the previous June year.

And despite the problem of trade barriers in our major markets for primary products, there were marked increases in dairy and meat export receipts (but a 6 per cent decline in receipts from other animal products).

On the other hand, a cautionary note is sounded for a Government determined to establish a new export sector based on energy. Receipts under the "base metals and manufacturers" category were unchanged from the previous year, reflecting depressed primary aluminium and steel prices. And aluminium production is one of the key elements in the Government's growth strategy. Since the year ended June 1979, exports in this category have increased from $226.5 million, to $278.5 million in 1980, to $279.6 million in the latest year.

The Asia-Oceania country grouping has emerged as our biggest export market, nudging Britain out of its traditional spot and reflecting the success of our efforts to diversify our markets since Britain joined the EEC.

And China emerged as our leading wool buyer, surpassing both the Soviet Union and Britain.

Meat receipts increased by 25 per cent — and lamb returns particularly have been growing strongly. Beef and veal exports showed only modest growth, and mutton receipts were largely unchanged from the previous year.

Export meat production for 1980-81 is estimated to be 9 per cent higher than in the previous season, with mutton production rising 30 per cent; lamb 9 per cent; and beef and veal up 1 per cent.

Total export meat shipments during the June year 1980-81 increased by 20 per cent — and lamb exports increased by almost 25 per cent. Mutton shipments increased by 16 per cent, while beef and veal shipments rose 12 per cent.

Wool production increased by an estimated 7 per cent in 1980-81 to 381 million kilograms. But because of the drop in the average price and the build-up in Wool Board intervention stocks, receipts increased by only 2 per cent to $985 million.

Favourable weather conditions and substantially higher sheep numbers contributed to the rise in production, but Wool Board market support activities resulted in the amount of wool available for export falling by 3 per cent.

Wool Board stocks grew from 118.4 thousand bales in June 1980 to 343.3 thousand bales in June 1981.

The average price for greasy wool sold at auction in the 1981 season was 247.5 cents per kilogram — nearly 7 per cent down on the previous season — a drop attributed to the relatively weak economic climate in the industrial countries and depressed demand for textiles at the retail level.

Total dairy product receipts increased by 45 per cent to a record $1174 million, but there was substantial variation in the pattern of receipts recorded for the various dairy subcategories.

Milkfat processed by dairy factories declined 3 per cent on the previous season's record level of 291 million kilograms (the result of dry weather and facial eczema in some areas at the end of the season).

The number of dairy cows in milk increased about 1 per cent over the previous year, but production per cow on average was about 22 per cent lower.

Significant price increases for all major dairy products were recorded during the past year, despite continued overproduction in both the EEC and US.

Milk powder prices on average increased by about 45 per cent while casein and anhydrous milkfat (AMF) prices increased 42 and 44 per cent respectively.

Both cheese and butter prices increased by 20 per cent during the year.

The volume of casein exported declined sharply and butter recorded a small drop, but AMF, cheese and wholemilk powder exports rose significantly.

Export receipts for "other animal products" declined by 6 per cent on the previous June year, reflecting the depressed prices for hides, skins, sheepskins and pelts.

Trends in international fashions, coupled with the generally weak international economic climate, resulted in greatly reduced demand in the major European importing nations.

But the sharp fall in receipts for these two categories was somewhat offset by significant increases in receipts for sausage casings and tallow.

The growth rate for forest product receipts slowed markedly in 1980-81, after a spectacular increase in the previous June year. Total receipts grew 17 per cent to $588 million, and all categories except paperboard recorded increases.

Generally the slowdown in growth was attributable to depressed demand for most products in the major consuming nations and the diversion by other suppliers of significant quantities of some products to New Zealand's traditional markets.

The most significant development during the year was the sharp reduction in Japanese log imports from New Zealand, the result of increased supplies of cheaper North American logs combined with depressed Japanese building activity.

Overall, the volume of logs exported from New Zealand fell 37 per cent during the year, but a 12 per cent increase in the amount of sawn timber exported contributed to a 15 per cent increase in combined timber and log receipts.

A small increase in receipts in pulp export receipts was recorded, while newsprint receipts rose 34 per cent, reflecting the small increase in volume along with the generally more stable economic conditions in Australia, our largest market.

Australia remained New Zealand's most important market for forest product exports with trade worth $NZ246 million (nearly 26 per cent of the total). Japan ($159 million) was second, followed closely by the Asia-Oceania country grouping ($156 million).

Receipts for "other primary products" recorded a relatively modest 18 per cent increase in the year ended June. The major contributions came from increased vegetable and kiwifruit exports.

Vegetable exports more than doubled, mainly the result of greatly expanded onion exports, while kiwifruit exports rose 29 per cent to reach $50 million.

Receipts for seeds and unmilled cereals increased by 25 per cent. The Asia-Oceania group emerged as the biggest market, taking 24 per cent of the total.

Apple and pear receipts, by contrast, declined nearly 29 per cent to $29 million.

Fish export receipts increased by only 12 per cent, despite an estimated 40 per cent increase in export volume. Receipts were significantly below the fob export value, the difference acounted for by deductions to meet overseas costs of joint venture operations.

Manufactured exports continued their steady rise during the year, although there was an apparent slowdown in the rate of growth towards the end of the year.

Overall receipts increased 24 per cent, the biggest increase coming from processed foodstuffs (up 25 per cent), machinery (up 36 per cent) and transport equipment (up 101 per cent). But receipts under the transport equipment category were artificially bolstered by the proceeds from the sale of surplus Air New Zealand aircraft.

Australia remained our main market for manufactured exports, with 41 per cent of the total, followed by Asia-Oceania (27 per cent) and Japan (13 per cent, 80 per cent of which was aluminium).

VCR a hit in the office, helping electronic industry

by Peter Isaac

VIDEO cassette recorders (VCRs) are becoming standard equipment in offices. And the popularity of this glamorous product could not have come at a better time for the electronics industry.

VCRs are beginning to fill the hole left by colour televisions, which from 1973 to 1979 accounted for about $100 million a year in retail turnover. With the reliability of the new sets and the general saturation of the new market the electronics industry badly needed a replacement. The VCR looks like the product to fill the vacuum.

The problem is that a welter of punitive revenue-gathering taxes make it too expensive for all but the most dedicated home electronics buff. So the office is emerging as the natural market.

In Britain, the video cassette market doubles every year and the industry appears to be heading for one million unit sales this year in spite of the recession.

Overseas the market is characterised by a highly competitive market approach between the four major suppliers. The first VCR to go on the general market appeared in 1964.

It was an open reel recorder using a half-inch tape and with a rotary two-head system. Quick to grasp the significance of the new product the Electronic Industry of Japan laid down a set of standards based on the half-inch helical format.

In 1971 Matsushita, Sony, and JVC released their U-matic VCR with a three-quarter-inch tape in a cassette. The introduction of the U-matic threw the rest of the market into some disarray until in 1975 Sony released its Betamax system with a very compact cassette and a sharp image.

Meanwhile, back in Europe, Philips pushed ahead with its own half-inch VCR, and Grundig basically followed the Philips lead.

The position now in New Zealand is that two companies are squaring up to dominate the market. Thorn EMI in particular has adopted an aggressive stance in the marketplace with its VHS system.

Thorn has locked itself into the Japanese technology through a technical co-operation agreement with Sharp. In return Sharp has licences to manufacture several Thorn products such as television sets. Thorn uses a wide-ranging spread of Thorn technology now at its Mangere factory. The Sharp video cassette has microprocessor and solenoid control.

Philips Electrical, the other main contender, has a powerful benefit in what it describes as its flip-over cassette. This allows the machine to record and play back in both directions just like a compact audio cassette. This should allow you to get twice as much playing time.

"You get twice the value because the Video 2000 cassette costs roughly the same as other cassettes," Philips emphasises in all its promotional material.

It is fair to say that the video cassette recorder is still regarded with some suspicion in its commercial application. Is it an executive toy? Or is it a real management "tool"?

The answer is that with the increasing public debate on industry, characterised by the "Think Big" argument, it is becoming increasingly important for management to monitor what is being said about them on the broadcasting system.

In the past, someone would hear of something bearing on the company said over the air and they would request a transcript from the Broadcasting Corporation's own transcription service. The video cassette system now takes this a step further by monitoring the much larger picture. The video cassettes are also ideal for monitoring the frequency and quality of commercials — your own and the opposition's.

The Philips VR 2050 for example can be programmed over a 16 day period. Thus the machine can be programmed to pick up the news and current affairs programmes on the two channels over a period of over a fortnight.

These machines also allow the viewer to watch one channel — and record the other. Because they are so closely associated with the consumer market, the video cassette recorders have tended to be overshadowed by the welter of other information retrieval products.

But the days when the nation's financial/tax programme was wrapped up in a single yearly announcement are now long gone. With shifts of policy now announced almost daily constant monitoring of news means that companies can have a word-for-word playback of what has been said rather than a confused second-hand message from someone who happened to be watching the programme that night.

Paper refuses to go away in computer age

THE stationers, the people who supply paper to offices, remain surprisingly unmoved by the much-publicised notion of the "paperless" office, also known as the office of the future.

The paperless future office has been on computer salesmen's lips now for around five years. Yet the paper people seem to be doing better than ever.

One of them is David McClay, the man behind Acco International, the stationery firm with the sharp image.

So far computing has in fact meant much more paper around the place with all those millions of miles of prints. Even microfilm can't cope all the time. So people like McClay are adapting to the filing problem — with more paper.

Acco is launching a cardboard archival filing system based on nothing more glamorous than a slightly customised cardboard box. The secret is in a set of metal clip-ons which allow the box to become a durable filing box, a fraction of the weight — and cost — of the metal variety. It's easier on the shins in cramped filing quarters.

Acco started in 1972 with McClay and two partners, Brian MacAllister and Brien Richardson, as Trade Loose Leaf. The company specialised in the often overlooked huge market in loose-leaf binders. They started with the Chicago-based Acco licence and manufactured the brand here under licence.

Several years later the company renamed itself Acco with a blaze of advertising rarely associated with the stationery industry. In between times the firm was first with a polypropylene binder, and several other innovations.

The loose-leafer market is huge. It seems probable that over one million binders are sold in New Zealand every year. A huge share of them supplied by Acco.

McClay visualises a buoyant 11 per cent growth rate for the stationery industry. He notes a recent survey of the marketplace by the United States stationery industry group. The study revealed that the demand for paper used by office machines has been greatly stimulated in recent years.

Acco's David McClay — an 11 per cent growth market.

The demand for papers used by typing and word processing machines grew at an annual rate of seven per cent in the three years from 1974 to 1977. Paper used by teleprinters and continuous stock rose at an even faster rate — 17 per cent per year.

Manufacturing stationers such as David McClay visualise a strong growth market in the domestic sector.

Even so, there will be change, McClay acknowledges, as the industry adapts itself to the computer influence. Thus, Acco was to the fore with fiche storage devices.

McClay views innovation as the best answer to the paperless office. And, indeed, the computer people might be surprised at the degree to which the stationers are keeping pace with developments in the office.

Acco's own catalogues are abrim with retention and retrieval devices. Acco also has a powerful benefit in its favour. A substantial proportion of its products are made locally — unlike the computer people whose products are almost entirely imported in toto.

Sophistication in plastic moulding and metals processing — especially extrusion — means that Acco and others can present their products as locally-made products with a very high proportion of local processing content and of course local raw materials.

'Big stick' gets meat export council set up quickly

MORE than a hint of a "big stick" approach lay behind the formation of the Joint Meat Export Marketing Council in Wellington last month.

The initiative was firmly in the hands of the Meat Board, which — tired of the delays in beginning what some critics ominously regard as the socialisation of the meat industry — wanted the new council operating by October 1 (the official starting date of the new season).

So far, announcements about the new council have been remarkable for what they have not said, rather than for what they did say. The statements have dwelt more on the theory than on the practical aspects of how the new council will work.

The stated future aims are vague, and many observers believe that what has been announced so far is merely the beginning.

The council is made up of 10 members — five from the Meat Exporters Council and five from the meat board, the chairman of which, Adam Begg, is chairman of the new council. He does not, however, have a casting vote.

The exporters wanted seven representatives to the board's three. *NBR* understands that when exporters asked what would happen if some companies did not co-operate, they were told the board would quickly look to their licences, which the board has to approve.

In other words, "If you won't play along with us, you won't play at all."

The final scheme displays close similarities to a scheme proposed by the board in August last year. When *NBR* reported those proposals in March, there were no official denials, but producer representatives who asked officials about the *NBR* report were led to believe it would not occur as this newspaper had reported.

The first statement from the new council said improved marketing of New Zealand lamb in Britain was one of its first priorities.

Begg was quoted as saying this would be approached through the development of a storage programme in Britain as an extension of the already-controlled shipping programme.

The new council's primary task is "the planning, on a national basis, of the marketing of New Zealand's *total* export meat production" (our emphasis).

With the council's structure and objectives agreed to, Begg warned that nobody should "expect marketing miracles by tomorrow," but he expected the council's operations would be effective, and positive improvements should be seen over the next year to 18 months.

The agreement reached this month also said: "The board sees the Government supplementary minimum price scheme as a method of supplementing farmers' incomes and has no intention, in the administration of this scheme, of interfering with the continuing ownership of the product by the trade.

"However, the New Zealand Meat Producers Board retains its right to intervene in the market in any manner it sees fit to carry our its obligations under the Meat Export Control Act 1921-22. The NZMPB gives an assurance that it will not act in this regard without consultation with the JMEMC."

The new council's "principal objective" will be to maximise the return to New Zealand for all meat products and it will take whatever steps are necessary to achieve this objective, "but in so doing, preserve the maximum independence and virility of the export industry."

The inclusion of those qualifications in what should have been a simple statement indicates that exporters were not happy with what was proposed, but which is now fact.

Further, the statement gave no clue of how the board envisages the Government's SMP price will be met. Exporters' schedules are likely to be below the 145 cents a kilogram set as the SMP for prime grade lamb when the new season starts soon.

It also does not explain how it cannot interfere with the continuing ownership of product by the trade when it envisages telling the trade when it can sell in Britain by controlling storage.

The real target of the board was weak sellers in Britain, who jeopardise all exporters, often through carelessness. Some do not ensure proper storage of product, meaning they have to virtually dump it on the market and take whatever price they can get. That has an effect on all other sellers as well, who have to face a weakening market.

But exporters are not fools, and the giant Towers pulled out of selling altogether earlier this year when the market was too low.

Weak sellers from New Zealand could have been dealt with simply by revoking or refusing to renew their licences. To involve the entire industry in an entirely new strategy because of a misdemeaning few was a classic case of "over-kill", critics claim.

The new council will also arrange the negotiation of all single-seller markets, and that is a reasonable function for it to assume in countries which want to deal only with governments or government agencies. But critics of the scheme say it surely could have continued under the present system of co-operation between the board and the MEC.

The people who will be watching the new council with most interest are New Zealand's farmers. Better returns have been promised; although with guaranteed prices from the Government, that is largely irrelevant unless prices soar, which nobody is predicting.

In the meantime, there is the matter of the costs of setting-up and administering the new council. Funding will be by way of an administrative levy on all members. There are no prizes for guessing to whom that will eventually be passed on

Industrial relations

Redundancy pay . . . what redundancy pay?

by Ann Taylor

ONE week's notice and a week's pay won't keep the wolves at bay. Ken Dungey's offer to his Rixen Industries workers was spurned. FOL intervention and compulsory conferences have not changed the sit-in situation at the Levin clothing factory. And now everybody seems to be in on the redundancy act.

Horowhenua MP Geoff Thompson — after asking police not to intervene as Dungey had asked — blasted Clothing Workers secretary Frank Thorn for failing to include a redundancy agreement in the clothing workers award.

But surely that would be tempting fate?

Many awards contain a provision for unions and employees to be notified of an impending redundancy but few contain specific formulae for redundancy pay — with the exception of the journalists award!

There is no legal liability for employers to pay redundancy if there is no prior agreement.

The only legislation is contained in the Wages Adjustment Regulations 1974 which set down a formula — 2 per cent of a year's pay multiplied by the number of years employed.

The Arbitration Court is required to register any settlement above that formula, but in practice many are not registered.

The court is trying to keep abreast of the situation. A spokesman said that most of the agreements have provision for notification of redundancy — from two to four weeks.

On the whole, agreements which get as far as the Arbitration Court are in line with the Wage Adjustment Regulations formula.

Although redundancy payments are strictly outside the law they are negotiated, on an *ad hoc* basis, and are largely subject to the ability of a company to pay.

The unions' intention is always to retain jobs for people. To keep the job or secure a similar one for the worker is the only tenable first priority.

Unions prefer, on the whole, not to have a full redundancy agreement in an award so that they can assess the employer's situation at the time of the redundancy. And if there is a redundancy agreement the old maxim — the minimum becomes the maximum — applies.

No worker wants to be made redundant; no company wants to find itself in the situation of laying staff off. But it is happening.

Scanning through newspaper headlines indicates that some 6500 workers have been made redundant since January 1980.

There is a wide disparity in redundancy settlements — from nil to the six weeks pay and two weeks for every year worked ("6,2" is the jargon) negotiated by the Engineers Union under an in-house agreement with Alex Harvey Industries.

There is no ruling rate; it differs from industry to industry, but the clothing workers norm, "3,1", which they are trying to move up to "4,2", is considered to be on the low side.

Redundancies which hit the headlines usually involve a company finding itself in cash-flow problems and laying off all its staff. But the majority of people made redundant have been part of a gradual shedding of staff as an employer tries to lower costs.

In this situation some workers are left and their labour gives the union something to bargain with.

The effectiveness of that bargaining is dependent on the amount of notice a union has from the employer.

Employers Federation officers advise their members to notify the relevant union as early as possible of an impending redundancy. But they have reservations. Some unions, they say, have exploited that time period to create industrial havoc in a company.

Based on their experience with some unions the employers try to inform the union minutes before they tell the employees.

Sir Tom Skinner, former president of the FOL, told a harbour industry symposium last week that the No 1 priority for an incoming government "is effective redundancy legislation".

The Labour Party has promised "redundancy legislation" in its latest policy and makes a plea for disclosure of companies' financial affairs.

In the last Labour Government Arthur Faulkner introduced the Severance and Reemployment Bill. It was referred to a select committee and then to the Industrial Relations Council, which, with the incoming National Government stopped meeting.

Company disclosure is treated with some reservations by employers. "Are there enough unions with expertise to assess a company's viability?" they ask. There's a school of thought that "if you give them this information they'll misinterpret it" — a view that might well change as the lower ranking university-trained unionists rise up through the system.

Employers say they need some assurance that advice would not be used to create industrial mayhem.

Employers concede that there is scope to rationalise redundancy provisions to make them more satisfactory from the employees' point of view. But no legislation will change a situation where a company simply cannot afford to pay.

The capital nature of redundancy payments — $2 million was paid at Mosgiel — has two effects on employment opportunities. One camp would have it that employers keep their staff on so they won't have to pay redundancy; the other would have it that employers won't take on more staff in these shaky economic times because they might have to pay them redundancy.

Redundancy pay for the workers when a company does go into liquidation has the status of an unsecured creditor. In one recent settlement the liquidators rated redundancy payment as 19th in the pecking order — under the Commerce Act redundancy is not a preference payment.

The question of tax on redundancy payments is also in a state of flux as the Inland Revenue Department steps up its surveillance of allowances. Currently lump sum redundancies are taxed as retirement allowances — on the whole taxed at 5 per cent.

John Hughes, a legal academic, identified a "considerable conceptual conflict" concerning redundancy in the *Universities Law Review*.

He centred his arguments on

Sir Tom . . . lobbied for clarification in the 1970s.

whether redundancy does constitute an "industrial matter".

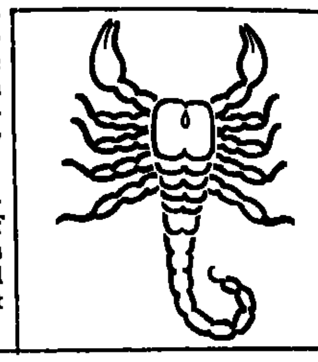
The most obvious example of managerial prerogative — those rights reserved to management — is the employer's right to terminate a worker's employment.

The present law is unclear on whether managerial prerogative is an "industrial matter". He goes on to say that it is unlikely, if the jurisdiction was established, that the Arbitration Court would accept a challenge to the policy reasons behind an employer's declaration of redundancy.

Another area of confusion is the extent to which redundancy payments can be used to delay dole payment. Whether it is "bridging finance" or compensation for loss of service payments — seniority, pension rights, and so on — was reviewed under the Social Security Act in 1978.

The Social Security Commission decided then that half of the actual amount awarded as redundancy payments would be treated as a capital payment and not be taken into account for starting the dole. The other half would be considered "bridging finance". This decision is not policed, is widely misunderstood and leads Hughes to conclude that one of the major reasons for confusion over the whole question of redundancy is "lack of co-ordination between relevant Government departments".

So, little wonder the Rixen dispute remains unresolved.



Real estate

Second mortgages the way to millionaire status

by Klaus Sorensen

THE second mortgage is often just an added worry for the New Zealand home-owner totting up his housing finance commitments — but for many Californians, it has made them millionaires.

In the United States the second mortgage is rarely used as house finance. Instead it operates as a personal loan, using the borrower's equity in his home as security.

So when the Californian property boom came along people began to cash in on the massive rise in property values by borrowing against their homes to facilitate investment in more residential property, commercial buildings or some sort of business.

And that's where the Beneficial Corporation seized an opportunity to conduct the almost classic business diversification.

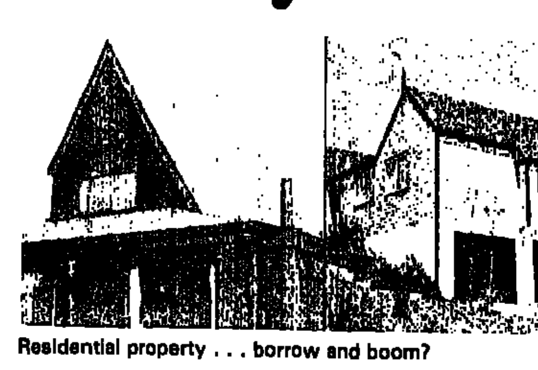
Beneficial is one of the largest and fastest-growing financial services companies in the world with total corporate assets exceeding $US8 billion. But some five years ago the company was heavily dependent on high-risk, low-security personal loans.

According to Beneficial Management Corporation president and chief executive Dick Wagner: "We've been the small loan company for years."

But that is gradually changing thanks to what Wagner describes as the groups move into "large-ticket items".

This became almost imperative to Beneficial as interest rates rose, the margin of lending narrowed and overheads such as salaries began to climb.

Now, instead of making $5000 or $10,000 unsecured personal loans, Beneficial is concentrating on the larger $100,000 type of second mortgages.



Residential property . . . borrow and boom?

But consumer financing is still the cornerstone of Beneficial's business, with 2250 offices in the United States, Canada and six overseas countries including Australia and New Zealand.

The Beneficial Finance System provides almost every type of consumer credit — unsecured personal loans, second mortgages, first mortgages, credit card loans (including Visa, MasterCard and the company's own proprietary "Bencharge" card), revolving loans cheque overdraft facilities, sales finance and even the largest loans for aircraft.

The group also operates a major insurance company, Beneficial Insurance Group, and has a big stake of the savings and loan industry through First Texas Financial Corporation, the second largest savings and loan company in Texas with $1.7 billion in assets.

Beneficial has also diversified into Speigel, a major mail-order retailer, and Western Auto Supply Co, an automotive supplies retailer.

But according to Wagner, the key to the diversification into his "large-ticket items" is the significantly expanding American middle class.

Beneficial is no longer the lender of last resort. Instead it competes with banks and other lenders for what is known as the "attractive" middle-class consumer.

Wagner told *NBR* when here for the opening of the New Zealand subsidiary's new offices that five years ago Beneficial had only 5 per cent of its portfolio in second mortgages.

"Now we probably have 40 to 45 per cent of our overall portfolio in second mortgages and we hope that will rise to close to 50 per cent by the end of the year.

"We still do some hire purchase, but only to home-owners, because by concentrating on them we get the larger-ticket items on our books," he said.

Four years ago the company had between 15 and 20 per cent of its money in hire purchase and 75 per cent in regular small loans of the $2500 to $5000 variety, but a number of things necessitated a move out of that business.

One of the most critical was an alteration of the bankruptcy laws which are now "just terrible", according to Wagner.

People with money can now go bankrupt. The result is leaving companies like Beneficial with rising delinquency rates.

The new law does not require the old-fashioned proof of debt and all assets. "Now if you go bankrupt in the United States it's to come out clean so you won't owe a nickel — and there isn't the same social stigma attached to bankruptcy any more," Wagner bemoans.

He cites the case of entertainer Jerry Lewis — "That guy had a couple of million worth of assets and an annual income of $600,000 — but when his marriage broke up he successfully filed for bankruptcy."

Beneficial found a much larger proportion of people were going into bankruptcy simply to avoid paying off debts to organisations such as Beneficial.

But in a bankruptcy, a personal loan advanced as a second mortgage with security on the property provides the sort of protection Beneficial desires, and interest paid on mortgages is tax-deductible. This means people are able to increase their borrowings because the cost of servicing them is effectively subsidised.

Another benefit, from Wagner's point of view, is that the costly and hard-to-administer "Truth in Lending" laws in the United States do not relate to the larger loans Beneficial is financing through second mortgages.

But the big break was the Californian property boom. California is where all the money is, and the boom enabled people of relatively modest means to gear themselves up to get into business and property dealing.

The result was that with the reduction in emphasis on personal loans, Beneficial lessened its operations in places such as New York where its office staff numbers have been reduced from 200 to 119, and concentrated more on the home-owner business in California.

The larger-ticket business also overcame the rise in the cost of money and narrowing of margins. "What that means is you need a larger cash flow per employee to run down your ratio of expenses," Wagner said.

A Beneficial office which does $5 million worth of business in second mortgages might need only four people to run it, he said. But with personal finance, that same $5 million of business would require 10 to 12 people.

"We now have 2500 fewer people in this area than two years ago — yet the salary cost is the same."

Wagner told *NBR* he had been surprised at how willing New Zealanders are to give security — "the market is so competitive in the United States that you can borrow $10,000 without any security, just on your signature."

Even second mortgages are easy to get. Wagner said that in California, "you can get a $100,000 second mortgage with relatively little trouble."

He cites his favourite example of the recent Californian boom — "this guy came to us to borrow $100,000. He had paid $106,000 for his house in 1974 — which admittedly at the time was quite a lot — and had a $75,000 mortgage at 8 per cent."

Wagner said that when Beneficial discovered the house was worth $625,000 in the market, the man had his $100,000 loan in a matter of minutes.

"Thats the sort of situation which would make anyone's mouth water."

Another customer had a $1,250,000 house in California — yet he had been employed for some time as an airline mechanic.

According to Wagner, these sorts of people have been cashing in on the rise in their equity and are regularly dealing in properties — they may own five houses at any one time, "so long as the mortgages are serviceable."

Not surprisingly, Wagner wants to see the New Zealand subsidiary get into the same sort of business.

At its last balance date, Beneficial Finance (NZ) Ltd had receivables of $9.7 million of which 90 per cent was in real estate.

Wagner admits that Beneficial would probably not have gone into New Zealand had it not been in Australia, but he believes growth here could be dramatic.

And he believes there is no reason why the New Zealand branch couldn't reach the $100 million mark, "and have a nice viable profitable operation."

Control Data does nicely out of growth strategy

ALONGSIDE its direct efforts to oil the wheels of training and employment (see Page 38) Control Data is profiting very nicely from assistance to the Government-approved solution — the industrial growth strategy.

The American computer manufacturer's Cybernet bureau link and its back-up services concentrate heavily on industrial applications and the planning and financial management of large projects.

From a standing start in May, the Cybernet service is already being used by "four out of New Zealand's 10 leading corporations," among others, said Australasian regional manager John de Beer.

Among tasks currently being tackled for local customers are structural analysis, simulation of the behaviour of piping systems and complex planning exercises. Lined up for future opportunity are such promising local "growth" businesses as aluminium smelting and open-cast mining.

All of this made it logical that Energy Minister Bill Birch be invited to handle the formal opening of CD's new Auckland head office, one of the two local nodes for the Cybernet link.

Additionally, Birch could be relied upon to make some complimentary remarks about the vital role of microtechnology in the growth strategy — think small to think big — and the benefits of New Zealand collaboration with multinationals like Control Data.

Quoting figures from the Government's electronics industry study, Birch reminded his audience that by 1985, the local professional electronics industry was expected to be generating $112 million a year

This section compiled by Stephen Bell.

in exports and creating another 3000 jobs in addition to the 5000 already employed, at a "relatively small capital investment . . . as low as $10,000 to $12,000 per job."

Low impact on the environment, low energy demand and even the use of "Kiwi ingenuity" were trotted out as reasons why we should be getting whole-heartedly into electronics.

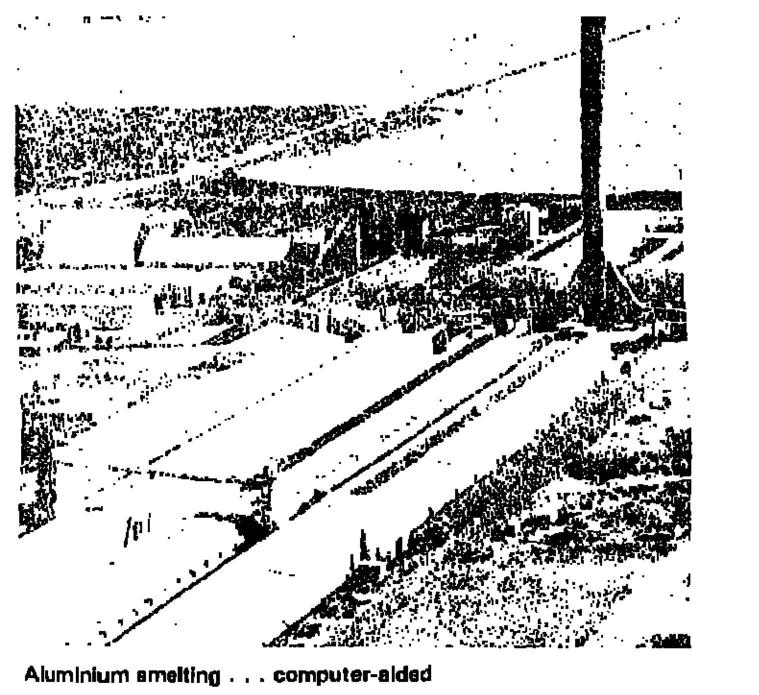
And not one of the audience was discourteous enough to mention the high sales tax disincentive to the industry.

Those attending, from a wide range of major industries, expressed great interest in CD's bureau offerings. Predictably, the biggest crowds were round the Plato terminal, learning how to spell, write letters for job applications and cross-breed fruit-flies, but the Cybernet technical aids were drawing their share of attention from promising future users.

A Control Data representative described in detail the use of a Cybernet terminal in the pot room of an Australian aluminium smelter, running a program which allowed the operators to optimise the mix of various grades of crude bauxite ore and more refined alumina to produce the grade of aluminium required at the lowest possible cost.

If the predictions of certain economists are correct, the Aramoana smelter could find that one very useful.

Perhaps at $10,000 a job, we'd all be better off concentrating on smelting sand into silicon chips.



Aluminium smelting . . . computer-aided

Canberra contract

THE first appearance of Honeywell's new word-processing offering, the Infowriter, at this end of the world comes in a successful bid to five departments of the Australian Federal Government.

The five departments unusually put out a joint tender for equipment to speed their clerical and administrative tasks. Among the early jobs to be improved will be the production of *Hansard*, the record of Parliamentary proceedings.

The other four departments involved, the two houses (Senate and House of Representatives), the Parliamentary Library and the Joint House Committee, will build up their facilities later, over the two-year period of the contract.

The systems will be based on Honeywell's older DPS/6 processors, designed chiefly for data processing, but released with a specialised word processing workstation.

Between 30 and 60 such workstations will be attached to five separate DPS/6 processors.

Hansard, which will start installing its equipment in November, will have 12 such terminals attached to its processor.

At a later stage, the Infowriters will come in, though it is not clear at present how many of these will be involved.

With the Infowriter, Honeywell seems to have chosen a middle route between its similarly-named rivals, Wang's stand-alone single-user Wangwriter and the IBM shared-resource Displaywriter.

The Infowriter can operate in stand-alone mode or "daisy-chained" together, with or without back-up from a main processor.

Honeywell has, at the same time, boosted the communications capabilities of the DPS/6, with an interface to the X.25 packet-switching discipline, the technique to be adopted by the New Zealand Post Office for high-speed data transmission.

There are hints of further communications advances, including possibly the release of a Honeywell "local area network" system (*NBR*, August 17). The arrival of such a network would presage a wholesale Honeywell move into the "automated office".

Private sector claims Poly given unfair advantages

One private-sector rival for Poly: The Perseus network is given a testing time at the recent teachers' training course in Auckland (story next page).

SUBCONTRACTS for assembly work on the Poly school computer will bring little benefit and little comfort to a private sector microcomputer industry which feels it has been excluded from the important stages of the project.

So says John Lovelock, spokesman on the Poly project for the Microcomputer Industry Association.

Poly manufacturing contracts "will help the printed-circuit-board manufacturers, the sheet metal and fibreglass companies, but it has savagely hurt the companies designing and building microcomputers," he told *NBR*.

Design and packaging of a microcomputer system, and development of the software "is where all the blood, sweat and tears goes in"; this stage, he alleged, had already been monopolised by a small group, with Government backing and other privileges.

This had resulted in a design with "nothing unique or clever about it", a design which has isolated itself from the mainstream of microcomputer use and educational computing.

Challenged to point to another local microcomputer system with all the features of Poly, particularly the colour graphics, he conceded that there was, currently, nothing.

But if private industry had been told of requirements, it would have produced a system, and a superior system at that, he claimed.

"If Government had said it was interested in high-resolution colour graphics, it would have been here, and it would have been cheaper," said Lovelock.

Poly had had the privilege of Education Department advice, Government finance and exhaustive trials run by Massey University. "If I'd contacted the Vice-Chancellor of Massey and asked for two months' trial of my system, I know what answer I would have got."

Confidence that Poly could compete with overseas systems showed that the people advising the DFC were "very naive," he alleged; systems becoming available now, particularly from Japan, would be the equal of Poly, at a lower price and with the advantage of widely used hardware architecture and software.

Overseas systems had been condemned by the Poly lobby as "outdated and locally irrelevant". On the contrary, said Lovelock, overseas systems of the present or near future have "better performance, better operating systems, a more friendly user interface, many programming languages and a link into billions of man-hours of software development," by way of common architectures and operating software.

Poly, with its unique architecture "has cut itself off from all of this," he claimed.

Poly designer Neil Scott rebutted criticisms of this kind by pointing out that too great an accommodation to existing systems would have resulted in a "lowest common denominator" of what was already on the market (*NBR*, September 21).

"We're not suggesting they write software that runs on everything," Lovelock retorted; simply that they might have used one of the more popular microprocessor architectures, like that of the Zilog Z-80 chip, and perhaps one of the more commonly used operating systems.

"To build a unique computer which matches nothing else is an unwise course to attempt."

Poly was "poorly packaged" and unlikely to stand up in overseas markets as an export product, Lovelock claimed.

A table sent out to teachers, comparing Poly with other commonly used microprocessors contained many instances of "unfair comparison", he alleged.

Many of the rivals had been listed in terms of their minimum configuration, while the full range of Poly configurations was shown. The most glaring gap was the omission of a price for Poly; a price which would be far in excess of the others quoted, he alleged.

The table "might even provide some justification for action under the Trade Practices Act," said Lovelock.

A more ready export potential lay in educational software, he said; "the hardware side is fraught with risk;" it was essential to keep a close eye on what was available overseas, and the relative cost of designing and making a local equivalent.

The lesson is "don't do anything here that you can't do economically," he said, "send overseas for it. Two years ago we (his own company, Microprocessor Developments Ltd) made memory boards. Now there are about 20 companies in Britain making memory boards at about $20, plus another $12 to transport them here; and they're all getting fiercely competitive with each other."

If New Zealand were to participate in hardware manufacture, he indicated, it had to be done by professionals who knew the market.

Scott had boasted that the Wellington Polytechnic and similar institutions had a ready pipeline of information on latest products, but one really had to go and look overseas first-hand, Lovelock suggested.

The private industry lobby had no objection to Poly as such; "we're not frightened of competition. What disturbs us is the principle and the manner in which the project has proceeded.

"Instead of doing it through the normal channels, they've elected to ignore the industry totally. We would have expected the DFC to ask 'is there anything you can do to help?" Instead, the project has been kept under wraps for 18 months, and letters to the DFC have been answered late and non-committally.

Normally, where any suggestion of taxpayers' money was involved, the ground rules for tendering were strict, almost harsh, Lovelock pointed out.

A computer project would be overseen by the State Services Commission, definite tender document and closing date issued, and the tenderer forbidden to communicate with the SSC after the closing date.

"I question the fairness of the way this whole system has come about," Lovelock said.

. . . meanwhile, Perseus emerges as a viable rival

A DIRECT rival to the DFC-backed Poly system, in the form of a network of educational microcomputers, has emerged from Computer Machinery Ltd, the firm which has taken over the interests of Technosys Research.

Earlier this year, Technosys released the Aamber Pegasus microcomputer, an inexpensive "entry-level" system for school computing. At that time, the company announced plans for a network-based system.

That system has now emerged, under the name Perseus. In the interim, the financially struggling Technosys was rescued by CML, a company set up by Graham Barnard, formerly of Computer Management Ltd.

The Pegasus and Perseus systems are both based on the same microprocessor as Poly and the network layout increases the superficial resemblance. But the Perseus system, Barnard claims, scores on workstation support, flexibility and interface with other equipment.

The network controller, which also gives access to shared disc storage and printer, will support up to 32 workstations.

Further links may be set up through leased dial-up telephone lines, from one cluster of micros to another. Any workstation may then communicate with any other on the system.

This, and the use of a fast parallel communications link between workstation and controller, makes it clear that CML is looking to a broader market than education.

Barnard acknowledged that the network has possibilities in commercial computing, but the current 32 characters x 16 lines display would have to be upgraded to an industry-standard 80 characters x 24 lines.

The standard workstation for the Perseus network is a special model called Hermes — a logical mythological name for a machine involved in communications.

Like the original Pegasus, it is capable of operating as a stand-alone processor, but has a much increased memory — 64,000 bytes, as against 4000 on a basic Pegasus configuration.

The Pegasus can be easily upgraded to a Hermes by slotting in the communications interface and software and adding the extra memory.

The price still comes to only $2000, which makes an appropriate classroom-size configuration — one workstation for every two students — considerably cheaper than an equivalent Poly network, he says.

Educational programs already written for Pegasus and Perseus systems include mathematics and geography material, as well as several programming languages for computer familiarisation courses.

Perseus has already been demonstrated to teachers attending a recent course on computers in education in Auckland, and first public demonstrations are due next month.

Prospective orders are already under discussion, said Barnard.

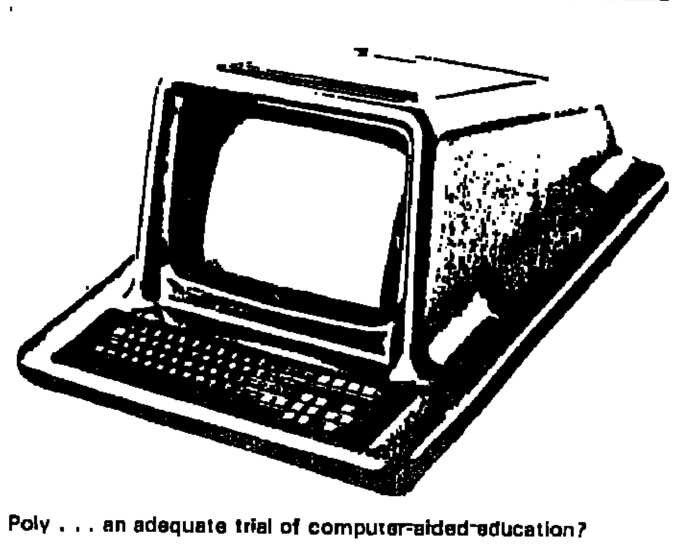
Manufacture of the hardware is entirely within CML at present, with around 50 processors a week being turned out. This is ample to satisfy initial demand, Barnard told *NBR*, but once popularity increases, it will undoubtedly be necessary to subcontract parts of the manufacturing process.

Barnard would not go quite so far as John Lovelock (see Page 36), in his allegations of harm to the local industry from the Poly scheme, "but it might well turn out that way if it's not handled properly in future."

Rather than having one specific machine made available to them, schools should be given a capital grant and allowed to choose their own computer equipment, he said. "I'd like to see Pegasus, Hermes and Poly all survive."

One of Poly's advantages over the CML machines is the former's colour display, though obviously this could be added in a further upgrade if required, said Barnard.

If schools are allowed a certain amount of choice, it will be interesting to see from comparative Poly and Perseus sales, whether colour is as necessary a feature of computer-aided education as the pundits tell us.



Poly . . . an adequate trial of computer-aided education?

Department agrees to see private systems

THE Education Department has asked at least two private-sector microcomputer companies to mount a demonstration of their school computer systems in the next few weeks.

It might appear to an outsider that the department is at last trying to redress the balance for its close and almost exclusive attention to the DFC-backed Poly system in the past.

But not so, say department officials. Any company has always been at liberty to show the department what it had in the educational computer line, just as are the vendors of any other school supplies.

The invitations were issued because the suppliers specifically requested a hearing, and one of the two companies in question, Computer Machinery Ltd/Technosys, had already shown its Aamber Pegasus machine to the department.

Having come up with its network system, Perseus (see Page 37) CML had asked for the opportunity to demonstrate its latest product, as had Microprocessor Developments Ltd, whose director is coincidentally, a leader of the Microcomputer Industry Association's "fair go for educational computers" lobby.

Education Department officers would see the machines demonstrated and pass on comments to "our people in the purchasing department" in accordance with normal practice.

But didn't Poly get a rather more intensive going over than that, with a prolonged practical trial in two schools, carefully monitored by staff from Massey University?

No, the department insists, that exercise was not just a trial of a particular piece of hardware, but a trial of the whole concept of computer-aided learning and its value to New Zealand schools.

If the question of selecting a particular computer went to tender, it would be "quite a different situation", and one machine's capabilities *would* be matched against another's.

In any case, it was pointed out, the department was already well aware of the strengths and weaknesses of the computers more commonly used in schools, such as the Radio Shack TRS-80 and the Apple.

MDS and CML will doubtless welcome the department's willingness to look at their machines, and with the iron hand of the State Services Commission now closing on the whole question, an open tender looks a more likely prospect than it did a few months ago.

But the order of events still seems very strange. If the Massey exercise was a test of the *principle* of computer-aided education, might it not have made more sense to vet several different machines employing different techniques?

One can imagine an early Ministry of Transport test of the "horseless carriage" concept, conducted by racing several Model T Fords against each other.

No chance of participation by any other maker of internal combustion engines, and no parallel evaluation of alternative technologies such as steam.

What the Massey trials have supposedly established is that computer-aided education is worth about 18 per cent improvement in learning, based on parallel tests of students who learned the same lessons with and without computer aid.

What it *has* established is that a network of 10 microcomputers with colour graphics displays, shared storage facilities and a particular suite of software operable on no other machine produces an 18 per cent improvement in learning.

If that is accepted as a trial of the computer-aided education *concept*, it is interesting to speculate what the specifications for a future open tender will look like.

Computer-aided 'fair break' job training proposed

THE Government is considering a proposal to boost employment opportunities with computer aid.

Suggested by United States computer manufacturer Control Data, the scheme, known as the "fair break" programme, has been employed widely in America, with marked success, CD claims. It is aimed particularly at improving both the directly job-related skills and the social skills of people who have, to date, found it difficult to get a job.

An integral part of the "fair break" programme is the use of CD's revolutionary Plato educational computer terminal for two hours a day.

Routines available through the terminal can not only improve knowledge directly relevant to jobs, but aim also to improve such basic skills as letter-writing; the *curriculum vitae* and covering letter is the prospective employer's first impression of the applicant, and can make all the difference in gaining an interview, the Plato lessons emphasise.

Learning through the terminal, while important, is naturally supplemented by a good deal of personal counselling in skills, job needs and "life management", as well as arrangement of temporary "work experience" periods.

As well as fitting applicants for existing vacancies, the programme, with its considerable need for human advice and counselling, has the potential to create local jobs on CD's side of the operation, company representatives acknowledged.

One of the important characteristics of such a programme is that its results are directly measurable, CD's Charles Kent points out.

One can count the number of "successful terminations", in terms of candidates going on either to further education and training or to "full-time, unsubsidised employment, which they have the satisfaction of knowing that they found for themselves."

In the United States, the "fair break" programme has been found of particular use in placing disadvantaged people who would normally not find a job easily; the disabled, the socially awkward and former prisoners among them.

Locally, the prison service is likely to become involved alongside the Labour Department, in any programme set up; but the "front end" for consideration of the proposal at present is the State Services Commission, which is also looking into the whole area of technologically-aided education and training.

A Plato facility to serve a "fair break" programme here would involve the set-up of a fairly large local processor.

Machines already established in Australia to serve Plato would be theoretically usable, but communications lines would be expensive and negotiations complicated, involving Australia's Telecom and Overseas Telecommunications Commission, as well as the New Zealand Post Office, said CD's Australasian regional manager, John de Beer.

The break-even point which would make it worthwhile to set up such a facility would be reached with the surprisingly low number of 30 terminals. But hardware expenditure is not the main factor, said de Beer; "the problem is tracking down an educational programme that will stick."

The "fair break" programme obviously offers such a permanent toe-hold in New Zealand; a beginning from which Plato services can spread to technical colleges and other further education establishments — it is already used extensively in this role in Australia and "there are some signs that there may be high-school interest," said de Beer.

On the local front, he said, Labour, Justice and Education departments had all been "encouraging, but some of them have other priorities."

The programme, both in its human aspects and the tone of the Plato lessons, requires considerable "culturalisation" to make it suitable for New Zealand participants, CD admitted.

But this process has been *successfully* achieved in other countries, including Australia.

Multi-million-dollar Plato moves into micros

A development schedule spanning 17 years and an expenditure of $US800 million makes our own embryonic educational computer developments look a bit sick. This is the immense investment recorded to date in the Control Data Plato system.

The Plato development seems to typify Control Data's policy of being prepared to take substantial risks for long-term payoff. *Today Plato is probably* the most popular, and certainly the best known educational computer system worldwide.

For all this, it has not found it necessary yet to move into colour display, nor to make a major move into microprocessors — two marked directions of more recent education systems.

Most Plato systems are *still* firmly based on a network of terminals attached to a mainframe computer, though the central processor required is obviously decreasing in physical size and price.

A Micro-Plato has been released in the United States, but with a reduced set of lesson material at present, and without the "learning management" capabilities of the centralised system.

With a class, particularly a large class of students each proceeding at their own pace, a centralised capability is required to assess performance, and keep a record of students' progress, CD spokesmen point out.

Some users in America have realised the value of this "learning management" capability, and are experimenting with clusters of micros. Most operate in stand-alone mode while one is linked to the central machine for "learning management".

Considering the intermittent nature of communications over the line, it is difficult to see the economic advantage of this.

Although the micro used is essentially the same as the terminal, the course material requires considerable conversion, and only a limited repertoire has been converted; the kind of course that allows the student to judge his or her own progress.

There are also experiments in colour, but this introduces another complication for the designers of the course software, and its real value is doubted. "If you're using it as an attention-grabbing tool, its novelty quickly goes away," said local CD man Charles Kent. "Attention should be grabbed by the quality of the 'courseware' ."

The popularity of Plato seems to rely on its early exploitation of the interactive dialogue between student and terminal and realistic simulation; strategies being grabbed eagerly by current ventures into computer-aided education.

A unique aspect of this user communication is the terminal's touch-sensitive screen, allowing the student simply to indicate choices by pointing to them.

The long-term investment has paid off in terms of a vast quantity and good quality of course material; the Plato student finds almost every subject catered for, from basic reading and sentence structure to simulated chemical experiments, surgical operations and cross-breeding of fruit flies.

CD is adamant that its courses are *not to be created by* computer specialists, but by specialists in the subject being taught. This dichotomy between the teacher and the writer of efficient software is an emerging problem for computer-aided educators, accounting for the heavy mathematics and computing bias of current teaching material.

Reservations are emerging from local teacher groups as to the "professionalism" of teacher-written software.

Control Data has overcome the problem neatly by supplying a library of tools, easily used after an initial *learning* period to construct *text and* animated graphics.

Standard text *fonts* and graphics elements can be pieced together using either a special "language" or "menus" which let the inexpert user select from the facilities available.

Naturally, a Plato course has been written to teach people how to write courses, and there is a thriving community of Plato "courseware" writers, many of them working from home.

Making the resources fit management demands

Stephen Bell continues last week's survey of the management/DP interface and potential "bottlenecks".

A COMMON accusation from other parts of the company is that the information department is uniquely favoured in terms of management toleration of schedule slippage and escalating budgets.

There are, we must agree, unique characteristics in the "DP" function which exacerbate the problem of keeping up to speed with the company's *information* requirements as an enlightened management would like to see them.

It's not just the shortage of "expert" personnel — though this is the grumble which emerges most often from the department.

Information processing people claim they are the only staff in the company with a permanent dual function — on one hand the management and control of the day-to-day processing of information and on the other the constant development of new processing systems with little help from outside parties.

Part of the fault in failing to recognise this comes from the concept of the information resource as a "data processing department" or, even worse, as a "computer department". The figures, the "data", are seen as a free by-product of the company system, given to the DP department, which does some minimal "processing" or "computation" on the data and hands it back.

What the modern information resource supplies, or should be supplying, is information; a real, saleable commodity, as different from the free "data" as a car is from the metal and plastic that go in at one end of the manufacturing process.

The departments which produce the company's more tangible goods might occasionally be told to gear up for a new line of product, but they are not expected to build the machines to manufacture the new line.

Engineers come in and do that for them. The factory staff learn how to handle the new machines skilfully and produce a good quality product.

Programming the computers for a new *information* "manufacturing" function is virtually tantamount to building a machine to make the new product.

With this dual role and frequent crises on both sides of the operation, it is not surprising, DP staff argue, that deadlines slip and "productivity" is not what other departments feel *it should* be.

The obvious answer is to remove one or other of these functions to an outside entity, or to divide them into two separate departments within the company.

The classic way of removing the development load is to get in a software "package". Surprisingly, it is usually management or the end user who objects to this answer, rather than the DP professionals.

The ready-made product seldom suits the company's operations precisely, and it is only at the cost of making packages more flexible that the software houses have induced this market to take off appreciably.

The alternative, of course, is to get in the software "engineers" to build individually tailored information "machinery" — the skilled development staff only have to be paid to do the major job the company had in mind, and can be dismissed until the next big job.

The day-to-day side of the system can be kept ticking over with one or two in-house DP staff, or with luck, none.

It's not surprising that there has been something of a boom in such "software contracting" businesses; and that one occasionally hears of in-house staff forming themselves into a contracting outfit and attempting to sell themselves back to their original employer.

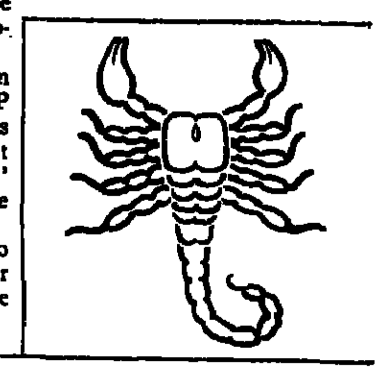
Is this, then, the shape of the information facility of the future — a pure production department, with the company's data being shaped into information substantially automatically?

The data processing manager would perform essentially the function of today's operations manager — keeping the work flow ticking over smoothly. The small *ad hoc* jobs will be programmed by users through their terminals, using English-like languages.

For anything bigger, the information manager will "take the order" from the users, translate it into suitable specifications which will marry smoothly with the information system as a whole — then pick up the phone and call in the most suitable firm of software engineers to do the development work.

Or is it all a pipe-dream? In 10 years' time will the DP department still be run off its collective feet doing two jobs at once? "Information manager" no more than a courtesy title for an old style DPM?

And the company trying to force an on-line computer system and an automated office down that same narrow software bottleneck?



DATA PROCESSING

The automated office

Plenty of talk — but no closer to real solutions

A JOINT gathering of Computer Society members, secretaries and administrators last month raised hopes that discussion of the "automated office" might at last get out of its technical rut and begin looking in earnest at the formidable organisational problems and consequences for people of such adventurous plans.

In the event, what came out of the Auckland meeting with the Institute of Chartered Secretaries and Administrators was a lot of recapitulation of the marvels of technology, a brief attempt to put the question in a planning perspective, and a muted confrontation between unions and employers, sniping from well-established positions.

If this event truly represented the views of computer professionals and users then it seems, regrettably, that the automated office will be stuck with a repetition of the early days of data processing — plenty of equipment, plenty of people trained to sit at screens, but precious few with any idea of how to plan work flow to the best advantage, to manage major change or to forestall friction between staff.

Enthusiasm for debate on the human aspects was not lacking — the forty-odd Computer Society members were well and truly swamped by about 150 administrators and secretaries.

But after being submitted to the technical barrage of "networking voice, image and data", which we've all heard before, enthusiasm was flagging, to say the least.

The most useful point to come out of the address by Rank Xerox's Peter Matheson was his picture of present day management. Only 10 per cent of management information came out of electronic storage, he said.

As much as 70 per cent of management time was spent chasing around after information, moving it and collating it, which left little time for managing and decision-making.

But the prospect of an integrated information network is still a distant one, particularly on the home front, he admitted. Managers still saw a "fuzzy gap" between the informational operations belonging in "word processing" and "data processing".

This acute short-sightedness in dealing with the information resource was highlighted by lawyer Lois Dickinson's account of her firm's practical experience with word-processing introduction.

Her story of the first attempt at implementation was almost too frightening to be true. Two women shut like battery hens in an office inelegantly known as "the Wang room", which the original authors of documents were virtually forbidden to enter.

The second try involved a more gradual implementation of one part of the "automated office" at a time, in one small department, with some evidence of clearer planning.

Most importantly, the machine was brought out into the office with screens closer to the desks and to the authors, encouraging dialogue and flexible planning.

A breath of fresh air was brought to this first half of the discussion by Noel Cheer of IBM. Briefed to talk about "ergonomics" he dashed through the geometry of the workplace at top speed, then proceeded to talk about what everyone to that point had only touched briefly — goals and planning.

As Cheer has pointed out (*NBR*, August 10), the "classic management loop" in office automation as in anything else, *should be*: "establish goals, then strategies, implement those strategies and monitor the results against the goals."

This brought an almost angry reaction from a member of the audience. "You show me a manager who manages like that!" Cheer's reply was instant ". . . and I'll show you a millionaire".

The point was made; most managers *don't* manage that logically, particularly in a situation of drastic change.

In this rather curiously organised seminar, the initial "technicians" panel was then wheeled out, and a panel of employers and employees wheeled in to give brief addresses and answer questions.

The crucial need, it was re-emphasised, was to arrive at a clear picture of the environment for the manager of the future, and to train management to handle that change.

Change should not merely be competently "managed" but negotiated with all parties involved.

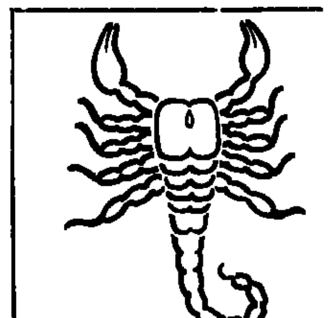
Unfortunately, there is a lack of formal training in just this aspect. The subsequent trend of the discussion showed clearly how this inability to anticipate and manage change has impacted relationships, not only within the individual company but industry-wide.

Union representative Judy Reid re-emphasised the obvious — that the local industrial scene suffered from "an underdeveloped system of relations between employer and employee — a stand-off situation".

She and the Employer's Federation panellist then began to shoot from their respective hills. Technological advance should be slowed to an acceptable rate, any change should be fully negotiated, with no redundancies and a share for everyone in the benefits of advancement, the unions say.

Technology cannot be slowed, the employers reply, or we will lose out in international competition.

It is plain that while the technology of office automation is advancing at a great rate, the philosophical, psychological, and political aspects have hardly been touched.



Tourism

Mount Cook plans expansion to woo Australians

SOUTHERN tourism schemes are coming off the drawing boards and there is growing confidence in the industry that the problems of luring Australian visitors can be overcome.

For all the concern about Australians shifting their travel plans to encompass more than the traditional trans-Tasman trip, Australia remains the source of about 46 per cent of our total tourism market.

Stronger marketing of tour programmes has helped sustain levels of bookings but there is satisfactory growth from the Orient, North American and European markets.

North American tourists now total 100,000 a year.

Reinforcing a growth rate (of about one-third on previous levels), a major marketing push is being made in the United States where the Government Tourist Bureau, Air New Zealand, Mount Cook Group and others are urging Americans to "Discover New Zealand".

The campaign trail flips through 23 American cities in 40 days.

Mount Cook Group, one of the highest in profile of the tourism companies, was getting a 5.8 per cent growth rate from the United States in the early stages of the 1981 winter season, having overcome the vulnerability shown by the industry during the autumn international air stoppage.

That strike and aircraft groundings slammed home with a 29 per cent loss factor and Mount Cook Group lost the extra traffic which would have meant $250,000 gross revenue.

As chairman Bill Steele put it: "It would have put the cream on top of our result." Mount Cook offset a 13 per cent overall drop in demand in terms of passengers carried to still turn in a spectacular, more-than-doubled May 31 net profit of $2.34 million.

Turnover jumped to $39.48 million including export performance incentives for qualifying tourist services of $846,000, which also were reflected in the tax level.

The incentives were wiped out anyway by extra costs of $1.1 million imposed in the form of the domestic travel tax of 5 per cent, fuel tax at 5c a litre and higher airport/airways dues. To recover the latter, the airline put up its fares and found demand easing accordingly.

Fuel costs should now be stabilising following the reluctance of Saudi Arabia to increase the price of Opec oil. The group undertook a stringent cost-shedding exercise which has trimmed overheads. It has considerably strengthened its equity base and shareholders' funds of $18.5 million now exceed more than half total liabilities at $28.3 million.

New demand emerging in the shape of a wave of ski beginners has forced the company to substantially upgrade its Queenstown ski field at Coronet Peak and to advance its feasibility study for a $5 million new field at Rastus Burn, in the higher reaches of the Remarkables Range.

Mount Cook directors gave close attention to the Rastus Burn project plans over recent days, reviving hopes that the new field would be open by 1983-84.

Mount Cook managing director Philip Phillips told *NBR* that any Rastus Burn development would not be at the expense of Coronet Peak. He sees potential for the new field, which would be reached by all-weather road, to attract as many skiers as Coronet Peak does now without resulting in any drop in demand at the current premièr field.

Coronet Peak . . . upgraded to meet new demand

The Christchurch-based Mount Cook Group closely monitors the attitudes of the big Australian skiing market, especially after the dismal experience of seeing patronage melt away in the aftermath of the poor 1978 snow season.

It has taken the excellent 1980 and 1981 snow seasons to restore numbers and a record Ski-Hi year looks virtually certain with recent snowfalls stretching the season in the South.

But exceptional conditions in 1980 coincided with equipment problems and dull weather which failed to divert tourists to take a "day off" lazing around Queenstown and Mount Cook pumped $400,000 into new plant during the intervening summer to ensure frustrating queues weren't repeated this year.

Australian skiers, less the expert racers and more the beginners, have discovered much of the mountain beyond their initial ability.

Phillips undoubtedly sees this as one significant reason to move ahead on the Rastus Burn development with its gentler slopes promising a wider range of business. The scheme may well require a consortium arrangement with Mount Cook splitting equity with another large New Zealand comapny, or perhaps a foreign investor well-placed in tourism marketing.

Mount Cook has been forging closer links with the Japanese in particular, opening a Tokyo office staffed by Japanese nationals, placing Japanese-speaking staff in key New Zealand positions, and participating in the October promotion of New Zealand in Japan with Government Tourist Bureau and the National Travel Association.

With the wider emphasis on marketing, Mount Cook has also moved up in the coach market and appears to be winning greater market share.

Its trans-Tasman route plans have not greatly progressed as the group circles around the issue but the application for the discarded Air New Zealand Christchurch-Napier domestic route could fit into its Ski-Hi programme with ease.

There were unconfirmed indications of intentions to lease at least one Friendship aircraft from Air New Zealand in support of the HS748 fleet.

In recent months Mount Cook has had three HS748 aircraft on charter operations overseas with the Red Cross in Bangkok, British interests, and Polynesian out of Samoa. It also had a Norman Islander on charter to Stewart Island Air.

Strong earnings have been achieved this season by the Cessna ski-plane fleet at The Hermitage air-strip and the helicopter ski service has made a useful debut in the fast expanding alpine skiing market.

Mount Cook's scenic routes to Te Anau and Milford Sound should be getting a stronger load factor when another new southern development starts at the sound. Under plans commissioned by the Government, the Milford tourist launch terminal will be relocated closer to an upgraded THC hotel and new tourist facilities complex.

The redevelopment plans are not expensive at $2 million but they form part of a total alpine face-lift.

The ski-boom has brought its pressures. The town of Methven, near the international class Mount Hutt ski field in Canterbury, is expected to grow by 400 per cent over the next decade, according to the South Island Promotion Association.

The locals, it says, are upset about the overcrowding. "Where they had 10 metres of bar space each they now have 10mm," was one comment to SIPA. And there are fears the town will be sold out to overseas interests.

There is also a sense of xenophobia about enthusiastic plans to build a tourist casino complex in the Southern Lakes region. Supported by SIPA but still against Government policy, the casino lobby is getting strong personal backing on both sides of the House.

Although the current trend towards fewer Australian visitors (down 26 per cent between 1975 and 1981) but more income from that source suggests we are still attracting the more affluent Australian, the future could produce a sharp recovery.

The reason lies in the creeping devaluation of the New Zealand dollar which now makes alpine holidays here on world-class fields competitive with some of the major Snowy Mountain resorts.

Against the Australian dollar we have depreciated (devalued) by 14 per cent over the past year. An exchange windfall of about $NZ400 on every $A1000 increasingly means a tourist covers his costs of flying in from Australia — and the trend is moving towards even more favourable terms.

Any major devaluation outside the managed float before next winter would snowball the nation's 8 per cent tourism growth rate.

Supply-side economics: its role in curing inflation outweighs its limitations

The Muldoon administration came to office at the 1975 election with the reduction of the inflation rate to single-digit levels among its economic aims. It has failed to achieve that objective (the inflation rate now running at about 15 per cent will increase to 17 per cent in 1972-73, according to Institute of Economic Research forecasts).

But the New Zealand Government has not committed itself to policies designed exclusively to deal with inflation. The prime objective here is economic growth.

In contrast, Britain's Thatcher Government is committed rigidly to reducing the inflation rate through monetarist policies (regardless, apparently, of the cost in terms of unemployment — or the eventual political cost).

The Americans, under President Reagan, are taking yet another approach to the attack on inflation, and have made "supply-side economics" the buzz-words of the year.

by Lyle E Gramley

DURING the past several years, a profound revolution has been occurring in the thinking of many American leaders concerning the proper role of fiscal policy in helping to maintain the health of the United States economy.

For more than 30 years the US Government tried to use fiscal policy as a means of smoothing out fluctuations in business activity. Tax rates were cut, and expenditures increased, when recessionary forces were pervasive. Growth in expenditures was restrained — and on one occasion, tax rates were increased — to cool off inflation.

Disillusionment has set in regarding the results of those efforts. As the prestige Joint Economic Committee (of the Senate and House of Representatives) stated in a recent report, a review of the postwar period shows that "Government attempts to shorten the duration or reduce the intensity of recessions . . . have been ineffective."

Economic policy for the future, the committee argues, "must focus on the supply side of the economy, on the long-term capacity to produce . . ."

Supply-side economics is an exciting doctrine. Its central tenets are not entirely new, but they certainly are relevant.

The principal economic problem today is inflation. A long-term strategy is needed to deal with it.

What do we mean by supply-side economics? Conceivably, a wide range of things could be included — energy policy, job-training, federal support for higher education, and other programs that might increase the growth of supply or enhance productivity.

I propose to focus on three principal areas in which public discussion of supply-side economics has centred in the past several years:

- Tax reductions on earned income — that is, on wages and salaries — to increase incentives to work;
- Tax incentives to businesses to increase the rate of capital formation and thereby to improve productivity;
- Tax reductions on investment income to encourage a larger volume of private savings.

I do not propose to break any new ground. My objective is merely to make some common-sense observations on the potential contribution of this fiscal policy approach to solving the inflation problem.

Tax reduction on earned income

Tax reductions for wage and salary income, if they contributed to the fight against inflation, would certainly have the enthusiastic support of a large number of United States citizens. The average American gives up about one-fifth of his or her income in the form of direct tax payments to government; upper-bracket rates are, of course, much higher — up to 70 per cent for the Federal personal income tax.

Reducing these tax rates significantly might increase the willingness of individuals to work, and it could do so in a variety of ways — by increasing hours worked per day or per week, inducing larger numbers of women to enter the labour force, encouraging postponement of retirement age, or making people willing to work harder.

Is it possible that the aggregate supply of labour, and hence the output of goods and services, would rise substantially as a consequence of such tax reductions?

A bit of thought and introspection should raise some doubt in our minds. Work hours tend to be set by institutional arrangements as much as by individual decisions. Objectives for working, moreover, are complex and varied; many of us work for reasons other than simply the income we earn.

Moreover, it is difficult to predict whether a completely rational economic man or woman would work more or less if taxes were lowered.

Lower rates of taxation increase the take-home pay that can be earned from an additional hour of work or a second job, but they also make it possible to attain any given standard of living with less work.

Studies of the effects of taxation on the available supply of labour both in the United States and in other countries are numerous, but their conclusions are ambiguous. Even in countries where tax rates are considerably higher than in the United States, it is not clear that labour supply would increase if taxes were lower.

In a summary of the available evidence two years ago, the Congressional Budget Office concluded that labour supply probably would increase if taxes on earned income in the United States were reduced. The effect, however, would be small; total hours worked might increase by perhaps 1 to 3 per cent for each 10 per cent rise in after-tax wages.

Reductions in taxes on wages and salaries stimulate demand as well as supply. Estimates of the increase in demand that would result from such tax reductions are also controversial.

Nonetheless, the available evidence indicates that the increase in aggregate demand would be substantially larger than the increase in aggregate supply, possibly five or 10 times as large, or maybe more.

Tax reductions on wage and salary incomes, therefore, are not the most promising way to cure inflation. Indeed, unless the effects on aggregate demand were neutralised by raising other taxes or cutting budgetary expenditures, such tax reductions — if undertaken on any substantial scale — could make inflation worse.

This does not mean that the United States Government should be insensitive to the burden of taxation that Americans are bearing. Certainly the chances for healthy economic growth will be greatly enhanced if the share of national resources devoted to Federal uses is reduced and the rate of taxation is lowered.

Investment incentives and productivity

Providing tax incentives for business investment is another form of supply-side economics, one that we know more about. On several previous occasions during the post-war period, incentives to business capital formation have been increased through accelerated depreciation or an investment tax credit or a reduction in corporate profits tax rates. We therefore have some basis on which to judge their efficacy in stimulating capital formation and productivity growth.

A number of proposals have been put forward recently to stimulate investment through tax incentives.

It has been estimated that these investment incentives could increase the long-term growth rate of productivity in the US economy by about 0.4 per cent a year — not right away but after several years.

To put this amount of improvement in perspective, we might note that productivity in the past five years has been rising on average at about one to 1.5 per cent a year. With an improvement of 0.4 per cent, the trend would be up to 1.5 to 2 per cent.

If improvements in productivity growth occurred for other reasons as well, we might hope to regain the 2.5 per cent average annual rise that characterised the first two decades of the postwar period.

To put it another way, an improvement of 0.4 per cent in annual productivity growth would lead, over the course of a generation, to an increase of 10.5 per cent in the potential output of our economy.

Tax incentives to increase savings

Increased investment expenditures, however, must be financed by increased savings. Otherwise, they, too, may add to inflation rather than reduce it. Let me turn next, therefore, to the third area of supply-side economics.

Are reductions in taxes on investment income an effective way to increase savings?

Unfortunately, in this area, too, we do not know as much as we need to know to justify bold action. Like reductions in taxes on earned income, tax reductions on investment income cut two ways.

By raising the after-tax earning power of every dollar saved, they increase the benefit to the consumer of postponing purchases today to increase buying power tomorrow. But because of that, they reduce the amount that a consumer has to save to assure his ability to achieve a given living standard later on.

Surpluses in the Federal Budget, used to retire debt, would return funds to financial markets that could finance the additional business investment needed to improve productivity growth. That is also the way to increase the prospects that improved productivity growth will actually result in lower inflation.

Productivity and inflation

Increasing productivity growth through tax incentives for business investment appears to me to be the most promising route for moderating inflation through supply-side economics.

How much an improvement in productivity contributes to reducing inflation depends on the responses of businesses and workers. If businesses do not, or cannot, increase their profit margins, the slower rise in costs that higher productivity brings will show up in smaller increases in prices.

If workers then accept smaller wage increases because inflation is moderating, costs would rise still more slowly and the inflation rate would come down further.

Product markets must be sufficiently competitive so that businesses are motivated to pass reductions in their costs through to lower prices.

Markets for labour must be sufficiently slack so that workers are encouraged to accept smaller wage rate increases as the rise in prices moderate.

That is why prudent monetary and budgetary policies — policies that aim for slower growth of money and credit and for movements of the Federal Budget toward surplus — are a necessary adjunct to supply-side economics.

Let me try to pull the threads of argument together. Tax incentives to stimulate business capital spending appear to be the surest way of increasing our aggregate capacity to produce.

At a cost of about $25,000 million annually by 1985, in terms of revenue loss to the Treasury, Americans might reasonably expect productivity growth to increase by about 0.4 per cent a year. Under favourable economic conditions the inflation rate might be brought down by about 1 percentage point, or perhaps a little more, through this means.

Certainly, it is preferable to use tax policy to increase productivity and the capacity to produce than to try to squeeze out inflation by relying solely on highly restrictive fiscal and monetary policies, with the inevitable losses of jobs and real output that would be entailed.

The only hope for making substantial progress against inflation over the next several years lies in keeping the fight against inflation at the forefront of every economic policy decision. If we recognise its limitations as well as its strengths, supply-side economics can play an extremely useful role in that endeavour.

Lyle E Gramley is a member of the board of governors of the United States Federal Reserve System. The article is abridged from Voice, published by the Federal Reserve Bank of Dallas, Texas.